JPRS-CEA-86-094

12 AUGUST 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-094

12 AUGUST 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

NATIONAL POLICY AND ISSUES

JINGJI CANKAO Comments on Economic Studies
(JINGJI CANKAO, 4 Mar 86) 1

Reactions to Ma Ding Article on Economic Studies
(SHIJIE JINGJI DAOBAO, 31 Mar 86; MING PAO, 18 May 86) 3

New Ideas Encouraged, by Deng Weizhi, Zheng Changan 3
Hu Qiaomu's Status Discussed, by Lu Jingren 4

Journal on Shared Ownership in State Economy
(Han Jianfang; JINGJI YANJIU, 20 May 86) 7

ECONOMIC PLANNING

Future Commercial Developments in Sichuan Discussed
(SICHUAN RIBAO, 11 Apr 86) 14

ECONOMIC MANAGEMENT

Li Peng on Reform of Capital Construction Management
(Li Peng; ZHONGGUO JINGJI TIZHI GAIGE, No 2, 23 Feb 86) ... 17

Tian Jiyun Interviewed on Price Reform
(Tian Jiyun Interview; ZHONGGUO JINGJI TIZHI GAIGE,
No 3, 23 Mar 86) 25

Ministry of Commerce Maps Out Seventh 5-Year Plan
(RENMIN RIBAO OVERSEAS EDITION, 19 May 86) 30

Beijing: Li Ximing Speech on Service Work
(Li Ximing; BEIJING RIBAO, 27 Jun 86) 32

Japanese-Style Management in China Discussed
(Lu Zhequan; JINGJI YU GUANLI YANJIU, 30 Jan 86) 52

Price Inspection Guidelines Issued in Anhui
(ANHUI RIBAO, 23 Feb 86) 60

Liaoning's Economic Situation Analyzed
(LIAONING RIBAO, 6 Feb 86) 62

Price Reform in Shanghai Discussed at Symposium
(Li Fan, Zhang Hongming; SHANGHAI JINGJI, No 2, 15 Apr 86) 64

Delegation of Authority in Shanghai Industry Analyzed
(LIAOWING, No 5, 3 Feb 86) 71

Survey on Delegation, by Shang Lu 71
Analysis of Decentralization, by Lu Zhangjie 73
Commentary on Shanghai Survey, by Lin Chen 76

Shanghai Industrial Production Discussed
(WENHUIBAO, 27 Feb 86) 79

Economic Ties of Southwestern Provinces
(Luo Zisu; RENMIN RIBAO OVERSEAS EDITION, 21 May 86) 81

FINANCE AND BANKING

Reform of Foreign Exchange System Discussed
(Xie Shusen, Shen Jinchang; CAIJING YANJIU, No 6, 18 Dec 86) 83

INDUSTRY

Big Rise in Plastics Output Expected in Next 5 Years
(Shu Zhe; JINGJI XIAOXI, 4 Feb 86) 90

Textile Association Provides Details on Supply Situation
(Wang Jing; JINGJI XIAOXI, 7 Feb 86) 91

Paper Industry Increases Production Yearly
(Xin Ping; ZHONGGUO QINGGONGYE BAO, 9 Feb 86) 92

Shipbuilding Industry Sets New Record
(Zhong Chuan; CHING-CHI TAO-PAO, No 15, 21 Apr 86) 94

Fujian Achieves Balanced Industrial Growth in First Quarter
(FUJIAN RIBAO, 14 Apr 86) 97

Jiangsu Fills Out Consumer Product Lines
(Li Qian; RENMIN RIBAO, 26 Apr 86) 98

FOREIGN TRADE AND INVESTMENT

Economic Cooperation With Australia Viewed
(Zhu Minzhi; LIAOWANG, No 22, 2 Jun 86) 100

Briefs
1986 Foreign Investment in Fujian 102
European Economic, Technical Cooperation 102

TRANSPORTATION

Anhui's Goals for Transportation, Communications Given
(ANHUI RIBAO, 17 Apr 86) 103

/9987

NATIONAL POLICY AND ISSUES

JINGJI CANKAO COMMENTS ON ECONOMIC STUDIES

Beijing JINGJI CANKAO in Chinese 4 Mar 86 p 6

[Unattributed Article: "Marxist Economic Doctrine Has Great Vitality: New York's CHUNG BAO Criticized Our Economists for Swallowing Western Ideas Without Digesting Them"]

[Text] The article "Keep only the pertinent elements of Utilitarianism: A Discussion of the Proper Attitude Toward Economic Studies in China" published in the New York CHUNG BAO last December discussed certain issues in economic studies in China today.

The article says, some economists in China feel that because "Das Kapital" fails to provide "ready solutions" to today's problems, it has lost its "validity." From society's point of view, this way of looking at things seems to reflect the realist utilitarian mentality prevalent among some people in China today. From the point of view of academic research, obviously the lack of understanding of the continuous and evolutionary nature of western academic studies (including studies in Marxist theories) has led to an inability to adopt a "developmental" viewpoint toward Marxist theories.

There have been significant developments in the theoretical studies of the contemporary western Marxist school of thought, especially during the past twenty or thirty years. In the United States, in Europe and in Latin America studies of contemporary trans-national corporations and global capital accumulation theories, world-system theory and inter-dependence theory, (these can be considered studies in "political economy,") are influenced directly or indirectly by Marxist methodology. The result of these studies show great insight into the imbalance in world economic developments and the "north-south problem" which are issues of great concern to China. Some Chinese theoreticians seem to fail to understand the development of western academic thought in these areas and impulsively declare that because "Das Kapital" or Marxism fail to provide "ready solutions" to today's problems, they have lost their "validity." This is as ridiculous as saying that Adam Smith's "Wealth of Nations" or Keynes' "General Theory" fail to provide "ready solutions" to contemporary western economic problems and therefore have lost their "validity."

Will the "bold introduction" of Keynesian theories provide "ready solutions" for China's economic development? Keynes' best-known "The General Theory of

Employment Interest and Money" created the theory of employment: it had its "validity" during the great depression of the 1930's, but it became impracticable during the war years of the 1940's and the post-war 1950's. No economic theory is universally or permanently "valid." The main contribution of the great economists, Keynes as well as others, is not in providing those who make economic decisions with "valid" formulae, but rather it is in providing economics with a set of new theoretical frameworks and analytical tools. In the case of Keynes this new theoretical framework was "macroeconomics."

Certain economists in China should be very selective as regards academic utilitarianism and monitor their tendency to swallow western ideas without understanding them. "Introducing" Friedman's monetary theory today, and "introducing" Keynes' consumption theory tomorrow makes as much sense as encouraging savings on the one hand and advocating consumption on the other. Today China should not only "introduce" Keynsian theories but also everything from the Adam Smith's 18th century microeconomics to all areas of contemporary western economics. Systematically studying the origin and the development of western economic thought will enable Chinese economics to become an "independent science." At the same time integration of "orthodox" capitalist economics and studies in "political economy" will enable China to comprehensively grasp and discern the success and failures and the merits and flaws of capitalism worldwide, and thus it will also enable China to rely on the guidance of economic theories to construct a "new socialist world."

12986/12796
CSO: 4006/1088

NATIONAL POLICY AND ISSUES

REACTIONS TO MA DING ARTICLE ON ECONOMIC STUDIES

New Ideas Encouraged

Shanghai SHIJIE JINGJI DAOBAO in Chinese 31 Mar 86 p 1

[Article by special correspondent Deng Weizhi [6772 0251 1807] and reporter Zheng Changan [6774 7022 1344] reporting from Beijing: "Theoretical Breakthrough is the Precursor of Reform: Bold and Free Exploration of New Ideas in Theoretical Studies is Necessary: Diverse reactions to Ma Ding's [7456 0002] probing article on economic studies have attracted the attention of the academic theoreticians and the press; many feel that rash judgements based on abridged and distorted reports of opinions will stifle the academic atmosphere"]

[Text] For some time now the publication of Ma Ding's "The 10 Transformations In Our Nation's Economic Research Today" has caught the attention of the news publishers, the academic theoreticians and other interested parties.

In Beijing the reporters learned that the Ma Ding article was first published in GONGREN RIBAO on 2 November of last year. It was later translated into English and Japanese by BEIJING ZHOUBAO and excerpts were published on 9 December. (This paper carried the article on 3 March.) On 11 December, a Japanese news agency wired a dispatch from Beijing and two major Japanese newspapers soon published the article. However, the dispatch contained ideas not expressed in Ma Ding's original work: most significantly, it reported that Ma Ding had suggested that "'Das Kapital' and other Marxist classics have lost their validity," and that he had advocated "the bold adaptation of the works of Keynes and other contemporary western economics." In fact Ma Ding only said that "there are no ready answers in 'Das Kapital'" to the question of how to set the socialist economy in motion smoothly, therefore "Chinese economists must proceed with live facts and create an economic science condusive to the construction of socialism." In regard to the second point in the Japanese dispatch, Ma Ding's article said that in essence "contemporary western economics is crude and nonscientific but it has rational and worthy components. We should be willing to scientifically and critically evaluate, analyze and learn from these valuable results of research and studies."

On 19 December a Chinese newspaper in the U.S. published an editorial criticizing Ma's article. The editorial was based on the distorted Japanese news report and injected its own logic and reasoning in the Ma article. It also had some suggestions about economic studies in our country. Although the editorial viewpoints are debatable, we appreciate the concern for China's economic research undertakings. This editorial was soon transmitted to this country. A news agency in Beijing reported on it without carefully checking the original text. The paper's headline said that the editorial "criticized our economists for swallowing western ideas without digesting them." (The editorial's own words were "urging those in Chinese economic circles to be more selective in adapting academic utilitarianism and guard against the tendency to swallow western ideas without understanding them.") The paper also announced in the headlines that the editorial declared that "Marxist economic doctrines have great vitality," but in fact such words never appeared in the editorial nor was there any such connotation. Subsequently several publications and individuals in our country have criticized and censured Ma Ding's article based on this distorted report.

Because of these incidents the reporters have gone to Beijing to interview the concerned parties and the scholars and experts in the academic and theoretical circles. The consensus is that the 10 transformations discussed in the Ma Ding article are in fact the summary of the situation of our nation's economic studies and the trend of their developments since the restructuring of our economic system, and they are basically consistent with the actual situation. On the whole the article's basic viewpoints and its analysis of certain issues are relatively sound, and despite certain inadequacies it is nevertheless a good article. If we are serious and responsible, we should not neglect to read the original text nor should we base our reports on second- or third-hand information or twisted and distorted articles. To do that is not only unfair to Ma Ding but will stifle the academic atmosphere in Chinese economic circles.

Those in academic circles point out that reform must be preceded by a theoretical breakthrough. We must not casually label various opinions as "conservative" or "liberal." We should encourage bold and free exploration of new ideas and we should draw on collective wisdon and absorb all useful ideas in order to construct a socialism with chinese characteristics.

Hu Qiaomu's Status Discussed

Hong Kong MING PAO in Chinese 18 May 86 p 7

[Article by Lu Jingren [0712 0079 0088]: "'Ma Ding Incident' A Heavy Blow to 'Hu the "Authority"'"]

[Text] In recent months the Chinese media have been nervous and restless as if a disaster were approaching. The controversy touched off by Ma Ding's article was a windfall for Hu and Co., the "theoretical authority" whose stock in trade is political labeling. Unfortunately the quality of his labels was so shoddy that his business was folded within days. The boss, meanwhile, has sneaked off to Hangzhou for a "rest."

The leading character in the "Ma Ding incident" is a 29-year-old philosophy instructor at Nanjing University, Song Longxiang [1345 7893 4382]. He has written an article titled "Ten Major Changes in Contemporary Chinese Economic Research" which was published in Beijing's GONGREN RIBAO under the pseudonym, Ma Ding. After its appearance on 2 November last year, BEIJING ZHOUBAO reprinted it in five languages--English, Japanese, German, French and Spanish--on 9 December. In reprinting the article, Japan's ASAHI SHIMBUN and KEIZAI SHIMBUN read more into the piece than the writer intended by suggesting that in Ma Ding's opinion, "such Marxist classics as 'Capital' have lost their applicability" and that "Ma Ding advocates the bold adoption of the achievements of modern Western economics." Ten days later, ZHONG BAO in New York attacked Ma Ding's article in its editorial.

To everybody's surprise, what began as a legitimate discourse within China's theoretical circles snowballed into an international affair. Hu, the "authority" saw his golden chance: he pondered awhile and came up with a brilliant idea. Immediately he ordered the domestic press to reprint the ZHONG BAO editorial in the hope that domestic opinion would turn against Ma Ding en masse. Not one to question orders, JICAN CANKAO in Beijing printed excerpts from the editorial and noted in its headline that the editorial criticized certain Chinese economists for "embracing Western learning without really understanding it." Some authorities in the Chinese press, (including Hu the "authority,") instantly jumped into the fray, echoing one another in chastening the theoretical circles in China for "embracing Western learning without really understanding it," and penned an avalanche of articles critical of Ma Ding.

Hu the "authority" went further by using against Ma Ding his ultimate deadly weapon--the label of "bourgeois liberalization." At the same time, he wrote a memo to Premier Zhao Ziyang in which he falsely charged that "some people are engaging in bourgeois liberalization in the economic field." Hopefully he waited for an official response from above, confident that with the premier's backing, he could soon send Ma Ding to the dock. Contrary to his hopes, however, Premier Zhao Ziyang wrote this instruction on his memo, "We need to take an extremely cautious attitude in determining the nature of this kind of issue. Indiscriminate political name-calling in academic discussions must be avoided at all costs." Hu the "authority" took his memo and the premier's comments to the secretariat of the CPC Central Committee. General Secretary Hu Yaobang wrote, "I agree with Comrade Ziyang." This unexpected blow sent the "authority" reeling; he was devastated.

As the incident ran its course over several months, Hu the "authority" was forced to shift his position from offensive to defensive. But misfortunes did not come to him singly: It turned out that he also had an unworthy son. During the time when his son was taken into custody by the public security bureau and was under investigation, he rebuked him in a typical leftist manner, "I loath two people most in my life. One is Jiang Jieshi, the other is my son." How clear a line did he draw between personal feelings and public duty. That lasted until 7 March when his son was formally arrested. He then declared, "I do not believe my son is that bad." He certainly played his dual role superbly!

Only when things got this bad did Hu the "authority" realize the beleaguered position he was in. At that point the "real No 1" spoke, "Do not write any more rubbish. Why, you failed to teach you own son, how then can you expect to teach others?" So a dejected Hu went south to Hangzhou, supposedly for a "rest."

On 2 April, Shanghai WENHUI BAO carried an article written by Deng Weizhi [6772 0251 1807] based on Zhao Ziyang's written comments. It offered this clear definition, "Bourgeois liberalization is a political concept. It means opposing party leadership, rejecting the socialist system and following the capitalist road." "Thoughtlessly criticizing theoretical liberalization violates the principle of the spontaneous development of scholarship." Later Hu Sheng [5170 4939] also said, "Academic discussion knows no bounds." Such notables as Zhu Houze [2612 0624 3419] and Li Honglin [2621 3163 2651] too criticized the "authority" on name-calling without naming him.

Speaking of "bourgeois liberalization," we cannot but remember the short-lived "anti-spiritual pollution" campaign a few years ago. Since then the label of "bourgeois liberalization" has been slapped on many people. Wang Ruoshui [3769 5387 3055] and Liu Binyan [0491 6333 7159], for instance, have been so labeled by Hu the "authority" who characterized them as "representatives of bourgeois liberalization." For a while, Hu the "authority" indulged in an orgy of name-calling, labeling anyone not to his liking. Now that is over at long last. Finally people have the courage to clearly define "bourgeois liberalization." It is time that those "comrades" who were mislabeled for years had their names cleared.

It has had a stormy passage, but the "Ma Ding incident" has finally been resolved satisfactorily and Song Longxiang's article is now generally recognized as a fine piece of work. But much remains to be done if we are to nurture an environment where scholarship can flourish because there seems to be more than one name-caller.

12581
CSO: 4006/1086

JOURNAL ON SHARED OWNERSHIP IN STATE ECONOMY

HK181236 Beijing JINGJI YANJIU in Chinese 20 May 86 pp 64, 67

[Article by Han Jianfang [7281 1696 2455] of Henan University Economic Institute: "Transfer State Economy Into Shared Ownership: Its Macroeconomic Effect and Coupling Conditions--written in January 1986]

[Text] The introduction of shared ownership in state enterprises is an optional goal. But what sort of operational system does this require? What effects will this system produce on the national economy? What are the necessary coupling conditions? These questions have to be studied.

The Effect of Introduction of Shared Ownership in State Enterprises on Economic Restructuring

The introduction of shared ownership in state enterprises involves such major issues as ownership, management methods and distribution relations, and its practice will inevitably touch off tremendous changes in the socioeconomic system and produce effects that cannot be ignored in the on-going reform of the national economy.

1) The full transfer into shared ownership would present complications to the on-going work of substituting tax payments for profit delivery. Once shared ownership is introduced in enterprises, distribution between the state and the enterprises can no longer be based simply on taxation as part of the profits will be directly distributed to the state in the form of dividends. Would this not mean that shared ownership runs counter to the switch from profit delivery to tax payments?

I think that the introduction of shared ownership in state enterprises not only does not run counter to the direction of the reform to substitute profit delivery with tax payments, but that it is only with shared ownership that problems remaining unsolved after the switch from profit delivery to tax payment can be solved. The biggest problem in distribution prior to the switch was that enterprises were eating from the "big pot" of the state because the relationship between the enterprises and the state was ambiguous and duties were not clearly defined. The purpose of substituting tax payments for profit delivery is to fix the relationship between the enterprises and the state by laws and decrees so that the enterprises can carry out their business activities and discharge their obligations with a clear idea of where their authority and responsibility lie. However, the switch from profit delivery to tax payments can only answer the question of whether or not the relationship between the state and the enterprises should be defined in clear-cut terms; it cannot solve the problem of how quantitative interests should be properly divided between the two.

First, under the condition where the state owns the fixed assets of enterprises, the separation of ownership from the power of operation objectively requires fixed representatives from both sides. At present, directors are representatives of the operators. Who, then, represents enterprise ownership? If it is represented by competent departments at the higher level, after the abolition of profit delivery the competent departments no longer have the responsibility or the enthusiasm to care about state revenue. If tax departments are to exercise the power of ownership over the enterprises on behalf of the state, the interests of the state and the enterprises will be caught in the dilemma of one growing as the other declines, with the two parties being locked in endless bickering over tax types and tax rates. It is still very hard to fix a quantitative criterion on the share of an enterprise's total income due to the state and the enterprise itself.

Second, there are several hundred thousand enterprises owned by the whole people throughout the country. These enterprises are of numerous categories, varying technical levels and vastly different scales. Moreover, the price system is still not reasonable and there are constant changes in the variables of enterprises in economic activities. This objectively calls for the establishment of a highly flexible, adaptable and rational mechanism of distribution. Under existing technical conditions, it is far beyond the capability of tax departments to keep track of hundreds of thousands of vastly different enterprises simply by means of a unified set of tax kinds and tax rates.

Third, the switch from profit delivery to tax payments mainly concerns the distribution of actual interests between the state and the enterprises and does not afford an effective mechanism for inciting the two to strive for long-term interests. Because the properties of enterprises unconditionally belong to the state, the operators will feel reluctant to spend their own funds on technical transformation and on expanding reproduction, because this will mean that the net income of the enterprises will change hands. If the hundreds of thousands of enterprises owned by the whole people do not actively accumulate funds for their own needs and do not show concern for their own development, or simply ask the higher authorities to finance their technical transformation expanded reproduction, the financial burdens of the state will increase. The enterprises, on the other hand, will not be truly invigorated.

If shared ownership is introduced and the state partakes in part of the distribution as a shareholder, the question of fixing a quantitative criterion for the division of interests between the state and the enterprises can be rationally resolved. At the same time, by integrating the interests of the state and the enterprises, the contradiction between the two where a rise in one means a fall in the other can be eliminated. The fact that the state is made a shareholder makes this system of distribution one that is by no means indeterminate. This is fundamentally different from the state of ambiguity in the relationship between the state and the enterprises prior to the switch from profit delivery to profit payments. It can thus be seen that the transfer to shared ownership in state enterprises is conducive to the shaping of a flexible, adaptable and rational distribution mechanism. It does not run counter to the direction of the switch from profit delivery to tax payments. Rather, it has unfurled before us the blueprints for a higher-level distribution mechanism after the switch to tax payments.

2) The transfer to shared ownership in state enterprises would also involve the question of the functions of the government. When shared ownership is introduced in state enterprises, who is to exercise the shareholder's rights of the state? If the government takes on this function, it implies that the government will be playing a dual role: On the one hand it is the general administrator of the national economy; on the other hand, as a shareholder, it must also directly administer the assets of the state. Does this not run counter to the direction of structural reform, that is "simpler administration and decentralization" and "government administration means to serve."

A basic fact before us is that the state economy is the leading factor in the national economy. The development of this situation has profound and necessary historical conditions and conforms with the requirements of the long-term trend of development of the productive forces. The focal point of our reform of the economic structure is a question of not whether or not we should do away with the state economy, but one of how the state economic should be managed. In my opinion:

1. With the state economy playing the leading role, the objective existence of state ownership determines that the government cannot merely function as the administrator, arbitrator, and coordinator of the national economy and carry out control and provide public service the same way as do the traffic police. In a situation where there is no separate organ to handle state ownership, the non-administrative functions of the government as the undertaker of state ownership in addition to the above-mentioned functions cannot in fact be relieved.

2. At the present stage, we have begun to realize the necessity of "separating government and enterprise functions" and handing down to the enterprises the power of operation. But what place should we assign to ownership? If we lump together ownership with the functions of the government in carrying out day-to-day management of the national economy in a sweeping manner, it

will be impossible to find embodiment of state ownership of enterprises in the inherent mechanism of mutual dependence with the operators, and the government will have to resort to administrative means to continuously bring pressure to bear on the enterprises and to define and restrict their operational scope. In this way, [words indistinct] in working for the interests of the state, will be weakening the autonomy of the enterprises.

3. The above situation serves to show that a rational economic structure requires more than just the separation of government and enterprise functions and of macroeconomic management and microeconomic activities. What it in fact calls for is the evolution of the highly centralized and unified management structure into a diversified structure encompassing the day-to-day management of the national economy, state ownership, and the power of operation of enterprises. Only in this way can the full mutual complement of relationships be guaranteed and a good mechanism with smooth functions formed. Thus, state ownership should be separated from the day-to-day management functions of the government and take a relatively independent organizational form that stands as the antithesis of operation of enterprises.

In the system of shared ownership, state ownership takes on a capacity completely different from the day-to-day management functions of the government because it is clearly manifested as share equity. State ownership in the form of shares can be closely linked with the business activities of the enterprises and thus form a good mechanism: 1) The state will give the enterprises a freer hand in running business if it wants to yield more revenue from its share equity. 2) The enterprises will pay more attention to long-term interests, redouble their efforts to expand reproduction and carry out technical transformation and continuously seek self-development in order to enlarge their shares. 3) In order to increase revenue from their share equity, the enterprises will more fully exploit their enthusiasm in production, try by all ways and means to expand the market and raise labor productivity. At the same time, state revenue from share equity will also increase. Thus, the interests of the state and the enterprises are integrated. 4) The separation of state ownership from the day-to-day management functions of the government eliminates many of the indeterminate factors in the day-to-day management of the national economy and creates the necessary conditions for the government to effectively manage the national economy and provide services. It can thus be seen that the transfer to shared ownership not only does not run counter to the direction of "simpler administration and decentration" and "government administration means to serve," but precisely embodies the requirements of this trend.

3) Will the decisionmaking power of the board of directors under the system of shared ownership hinder the process of "invigorating enterprises" and "implementing the system under which a director or manager assumes full responsibility?" To answer this question, it is necessary to briefly review the transformation in the modes of management of state enterprises.

1. Before the structural reform, the functions of administrative organs were not separated from those of enterprises, which in fact became appendages of administrative organs. Because enterprises did not have management autonomy, they lost the vitality they ought to have had.

2. Since the reform of the economic structure, a new kind of relationship between the enterprises and the state has been initially established, and enterprises have, in principle, become relatively independent economic entities with certain management autonomy. However, full autonomy for enterprises is still not realized because a series of problems yet remained unsolved. This is particularly true of the personnel system. The responsible persons of enterprises are still appointed by the higher authorities and they still retain the capacity of administrative officials and still communicate vertically with the competent departments as juniors do to their seniors. Because the subordination of enterprises to administrative organs is not eradicated, some enterprises only assume responsibility for profits and shirk responsibility in the event of losses.

3. Once the state becomes a shareholder and organs like the board of directors which represent the interests of shareholders are established, a new and good mechanism will take shape. In this mechanism, the board of directors may widely recruit trained personnel and form a competent managerial body through the system of appointment. With the managers answerable only to the board of directors, the subordination of enterprises to administrative organs will be cut off. A managerial body like this will be capable of boldly conducting business activities. This means that the vitality of the enterprises concerned can be fully aroused. Good relations which are at once mutually conditioning and mutually promoting will also be established between ownership and the power of operation. It is therefore possible to effect a fundamental change in the hitherto situation where ownership was laid aside and neglected, with no one assuming specific responsibility, thus holding the enterprises back. Hence, shared ownership not only does not run counter to the direction of the reform to invigorate enterprises, but will effectively promote the realization of this goal.

Judging from the above three aspects, we can see that there do not exist any substantial contradictions between shared ownership in state enterprises, which reflects the trend toward better order, precision and the forming of antithesis in economic relations, and various measures in the reform of the economic structure. The implementation of the shared ownership system is bound to bring about better prospects of effective coordination in our economic structure.

Coupling Conditions for Shared Ownership in State Enterprises

The ample justifications of shared ownership in state enterprises as a goal to strive for cannot answer the question of whether or not it is feasible in reality. This is precisely where the crux of the whole issue lies. It is quite obvious that the transfer to shared ownership in state enterprises will touch off a series of major changes in the national economic system. The practice of shared ownership is in fact a formidable project of systems engineering. Its feasibility not only depends on its strong justifications as a goal, but depends on how much we have to pay to achieve this goal. In specific terms, the full introduction of shared ownership requires the whole socioeconomic system to couple with it.

The full implementation of shared ownership is bound to require a major readjustment in the organizational system of the social economy.

1. There must be a corresponding share equity management structure and a stock market. In order to prevent share speculation and fraud, there must be a well-conceived system and laws and regulations.

2. The presence of shareholders' meetings, the board of directors and managerial groups not appointed by administrative means, which gives those who represent ownership and the power of operation legal person status, makes it necessary to establish sound economic regulations and decrees to define their functions and powers and to supervise and control their activities. There must also be a very sound legal arbitration system.

3. With the severing of rectilineal links between the enterprises and the administrative organs following the transfer to shared ownership, the scope of direct government control over the national economy will be greatly reduced. How are we going to guarantee the development of the national economy in a planned and proportionate way? This not only requires us to raise the technical means and capability of planning and management departments to a new level, but requires changes in the planning and management systems. Planning should gradually be separated from management and should increasingly find expression in the form of economic legislation. The day-to-day management of the national economy by the government will be simplified, and the entire national economy will make the transition from unified government control to an economy that functions within a legal institution.

4. Because the universal practice of shared ownership invariably required an open capital market, the administrative role of existing banks in monopolizing financial operations will be shaken. The massive inflow of social capital into the stock market will force the banks to float their interest rates, drawing them into the orbit of competition. Banks will be impelled to better themselves as enterprises, and local banks with independent accounting will officially become legal persons and taxpayers. This will inevitably make it necessary to carry out major reshuffling in the financial structure--forcing the banks to penetrate into the industrial sector through buying shares and other forms and making economic regulation and control serve financial needs. Meanwhile, these changes will place still higher demands on the macroeconomic management and control of the national economy.

5. After the transfer to shared ownership in state enterprises, what form should the independent state ownership assume? Objectively, it requires the setting up of organizations like "state consortiums" to assume overall responsibility over state assets and share equities, manage state revenue from shares and assets throughout the year, and make decisions concerning the disbursement of state property and revenue, the direction and amounts of investment, and the transfer or buying of shares. With this form, the contradictions between the public ownership system and the unified market can be readily resolved. At the same time, because "state consortiums" are at once

the biggest commodity producers and "big companies" with well-conceived plans, they provide the most appropriate form for the organic integration of the commodity economy and the planned economy. Their coming into being may lead to a satisfactory resolution of the long-standing contradictions between planning and the market. The setting up of "state consortiums," "local consortiums" and the like and other supporting reforms suggest that more major changes in the economic structure are yet to come.

If "state consortiums" are made fully reponsible for state property and share equities, state revenue will be divided into two parts: Government revenue and property income. This will bring about fundamental changes in the state financial structure. The biggest question is: What capacity should "state consortiums" and "local consortiums" assume? Administrative organs or taxpayers? If they are administrative organs, state revenue from properties and share equities will not be taxable, and share equities in the hands of the state will become special equities different from those of enterprises and individuals. This will seriously jeopardize the equal-opportunity environment needed for normal economic activities. On the other hand, if state revenue from properties and share equities are not taxable, should that of the local governments be taxable? Should the property and share equity revenue of local governments from inter-regional operations be taxed in the localities concerned? If such revenue is not taxable, then the system of shared ownership itself will be jeopardized. Obviously the "state consortiums" and "local consortiums" can only assume the capacity of taxpayers. But this will result in the government taxing the state and also itself. In the long run, however, this not only will not lead to muddled relations and repetitive and over-elaborate procedures, but will bring about a new situation where the organizational structure is well ordered and is characterized by rational relationships and clearcut responsibilities.

In summary, the clear delineation of ownership and the introduction of shared ownership in state enterprises are both very necessary for making China's economic operating mechanism more reasonable and effective. The transformation of our economic structure is bound to generate the need to transform the structure of ownership. The system of shared ownership embodies this need and therefore is the trend of the times. However, the coupling conditions required by the shared ownership system are by no means localized. They are major changes involving the whole situation. Some of the conditions may present themselves in the near future. But some of the other conditions require changes of very great magnitude and scope, and the time is not yet ripe for such enormous changes in the immediate future. Thus, we should be prudent about the full transfer to shared ownership. At the present stage, what we need to do is to strengthen and make perfect what has already been accomplished in the economic restructuring and actively create conditions for the transfer to shared ownership. At the same time, we may experiment with the system of shared ownership in state enterprises on a small scale with a view to accumulating data and experience for the transfer to shared ownership in the future, and formulate a practical, well-conceived, and progressive systems engineering plan for the transfer of state enterprises to shared ownership. The transfer to shared ownership is a measure of reform that effects the whole situation and should only be truly put to work when conditions are relatively ripe.

/8309
CSO: 4006/1190

ECONOMIC PLANNING

FUTURE COMMERCIAL DEVELOPMENTS IN SICHUAN DISCUSSED

Chengdu SICHUAN RIBAO in Chinese 11 Apr 86 p 2

[Article by the Provincial Department of Commerce Planning Affairs Office: "Vigorously Accelerate Production of Consumer Goods, Adapt to Various Market Demands--An Analysis and Forecast of Sichuan's Commercial Development Goals During the Seventh 5-year Plan"]

[Text] During the Seventh 5-Year Plan, Sichuan's town and village markets will be facing new situations, according to our analysis and forecasts and data from departments concerned. Incomes of town and village residents will increase significantly, there will be an obvious improvement in the people's daily necessities and living environments and housing conditions. With their fundamental needs taken care of, most people will gradually become comparatively well-off. During the Seventh 5-Year Plan, consumption of city and town residents in Sichuan should become more diversified and rural resident consumption more urbanized. Food, clothing, appliances and shelter commodity consumption will increase substantially. Viewed from the demands for consumption commodities, there will be more emphasis on the selection of types, designs and colors, patterns, and decor, as well as increased demands for more "famous brand, superior quality, new and beautiful" commodities to be put on the market.

Based on the market characteristics and commercial department functions stated above, the goals of Sichuan's development during the Seventh 5-Year Plan are: in the first 2 years, make substantial improvements in the supply of nonstaple foods and small daily necessity commodities, and bring a comparable stability in prices and an initial turn for better quality of service. In the last 3 years, enable market supply to be abundant and flourishing, prices basically rational and orderly, and service quality fundamentally better so that it will be more convenient whenever the masses buy anything or need services. Regarding the scope of commodity circulation, it is anticipated that by 1990, the average annual increase in Sichuan's total value of retail sales of social commodities will increase 7.6 percent, slightly higher than the range of increase for gross industrial and agricultural output value. The average annual increase of the total sales value of state-run commercial enterprises will increase 4.8 percent, lower than that of the total value of retail sales of social commodities. The average annual increase in turnover for Sichuan's food and beverage industry will increase 7.1 percent.

To realize these objectives, overall plans must be made with all factors taken into consideration and appropriate measures taken. Proceeding from continually satisfying the needs of the people, it is necessary to accelerate and guide industrial departments to vigorously develop consumer goods, and rationally readjust the structure of production. And while continuing to emphasize the production of daily necessities such as clothing and food, [the province must], at the same time vigorously develop production of a rich variety of consumer goods that are aimed at improving the quality of consumer consumption, endeavor to increase production of superior quality, name brand, high grade, new style products, and blaze new trails of consumption in the following areas:

1. Food. Under the premise of guaranteeing supply of basic foods such as grains, oils, vegetables and sugar, switch key emphasis to adjusting the food structure, enhancing levels of nutrition and strengthening physical fitness, thus meeting the people's requirements for nutritional care, convenience and hygiene. During the Seventh 5-Year Plan, the supply of meat, eggs, poultry aquatic products, vegetables and fruit will be improved. Emphasis will be on developing supplies of fast foods, nutritious foods and healthful beverages. In food sale there will be emphasis on the cuts, grading, individual selection, small packaging and small specifications to satisfy various requirements. The average per capita consumption of pork will have risen from 35 jin in 1985 to 40 jin in 1990 and that of sugar from 7.8 jin to 10 jin in the same time frame. At present, Sichuan is less than half self-sufficiency in edible sugar, but efforts will be made to greatly increase this level during the Seventh 5-Year Plan.

2. Appliances. First guarantee supply of basic daily necessities for people in towns and villages, and at the same time actively develop undertakings in middle and high grade durable consumer goods and new products. During the Seventh 5-Year Plan, demand for the "old three big articles" in cities and the countryside will increase, with the extent of increase larger in rural areas than in the cities. The market for home appliances such as televisions and refrigerators will have been well developed with sales volumes distinctly increasing. The forecast for social ownership per 100 households by 1990 throughout the entire province is that there will be 55 bicycles, up from 27 in 1985; 23 sewing machines, up from 15; 34 wristwatches (per 100 persons), up from 22; 28 electric fans, up from 14; 35 television sets, up from 13; 12 radio cassette recorders, up from 5; 20 washing machines, up from 4; and 4 refrigerators, up from 1.

3. Clothing. Equal emphasis will be placed on pure cotton and chemical fiber clothing, with the main thrust on development of fashion items with matching accessories. Due to a lack of wool resources, Sichuan will strive to develop supplies of new varieties of pure cotton and blended fabrics. By 1990, the per capita consumption level of pure cotton, blended fabrics and chemical fibers will increase to 35 shi chi [1579 1439] from 30 shi chi in 1985, and for all types of ready made clothing, to 1 piece, from 0.5 pieces in 1985. Production of nylon, silks and satins, and shoes, headgear and hosiery and other such commodities will also be accelerated and guided and undertakings expanded.

4. Shelter. The build up of and services in accessories for interiors will be emphasized. During the Seventh 5-Year Plan, there will be put into practice the filling of homes with commodities. Demand for decorative materials and new building materials to beautify homes and improve surroundings will increase markedly. Supplies of sets of furniture, kitchen ware, and synthetic fiber rugs will be expanded, and supplies of sanitary items, lamps and other decorative materials and fabric for interior decoration will be made to keep pace with this expansion.

5. Transportation. Priority will be given to development of name brand bicycles, motorcycles, and small car undertakings, and to a good job done of supplying parts and components. Production and supply of new models of multifunction and multispeed high grade bicycles will be accelerated.

12888/12795
CSO: 4006/1005

LI PENG ON REFORM OF CAPITAL CONSTRUCTION MANAGEMENT

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC SYSTEMS REFORM] in Chinese No 2, 23 Feb 86 pp 3-7

[Article by Li Peng: "Strengthen Macroeconomic Control, Do a Good Job in the Reform of the Construction Industry and the Management System of Capital Construction"; originally a speech delivered at the National Conference on the Reform of Capital Construction Management and later revised by the author for publication]

[Text] The frontline of capital construction is a very important one. The development of China's national economy and the goal of quadrupling the GVIAO rely on: 1) intensive expanded reproduction, the maximization of enterprise potential and technological reform; 2) extensive expanded reproduction, engaging in capital construction, and adding new productive capabilities. Some of the maximization and reform belongs to the category of increase of productive capacity and shares in the nature of capital construction. Capital construction and expanded reproduction are decisive factors in the development of China's forces of production. Since the establishment of the PRC, capital construction has surpassed that of any other historical period in China. Progress has been particularly rapid since the 3d Plenum of the 11th CPC Central Committee, and reform of capital construction began early. We should seriously review our experiences and constantly improve our work to ensure that the reform of the construction industry and capital construction will develop and progress even more healthily.

I. Macroeconomic Control Over Capital Construction Primarily Entails Control Over the Overall Scope of Capital Construction

Accumulation and consumption have an important proportionate relationship within China's national economy. This ratio must definitely be appropriate. First, we must eat; second we must build. This requires the correct disposition of the relationship between the two. If we eat too well, then there will be no money for construction. If we build too much, then it will have a negative effect on living standards. Based on long years of experience, it is clear that in order to attain a fairly rapid pace of development, it will not do for accumulation to be too small, but too large is also unsatisfactory. Some people feel that it generally should be lower than 30 percent, a figure which includes capital construction projects of the central authorities, localities and self-raised funds projects. Another part should belong to society, such as rural construction. In recent years, peasants have built approximately 600 million square meters of housing, while building many township and town enterprises at the same time. Some of the peasant homes are constructed of brick and wood, while others require reinforced steel concrete. Some building materials used in the countryside are produced by the peasants themselves, such as bricks, tiles, sand, and stone, but materials such as reinforced concrete must be obtained from outside, and are part of gross social production. Therefore, it would be wrong to totally exclude rural civilian construction and township and town enterprise construction from the category of capital construction and to inappropriately calculate needed materials based on this consideration. In the history of construction in China, we have had very profound lessons on how to regulate the scope of capital construction. On several occasions we experienced the problem of an overly large scope: once was in the Great Leap Forward of 1958; another was during the "Great Proletarian Cultural Revolution"; yet another was from 1977 to 1978. In each case the scope of capital construction was too large, causing many projects to discontinue due to our inability to complete them, leading to great losses. In recent years we have been controlling the scope of capital construction each year and have held many conferences on cutting back construction. We have accepted the historical lesson and reduced the scope of capital construction, but we have done this without applying a unitary standard or braking hard to a stop. An effect of sudden braking might be putting an end to some projects that could soon bring in beneficial results. Therefore, we are applying the brakes gradually. We have slowed down the pace of capital construction for 1985, maintaining it at the 1985 level. This problem merits the attention of all provinces, cities and sectors, including all planning and urban construction departments at all levels. If we fail to control macroeconomically the scope of capital construction and continue as before, pushing to initiate projects which clearly lack the necessary conditions, dealing with the consequences later, or "going fishing"--that is, beginning at a minimal level then inflating demands once a project has begun—the scope of capital construction will become unwieldy, leading to, in the end, yet another major reorganization at a great loss. We hope that each province, autonomous region, municipality under the jurisdiction of the central government, and department will genuinely proceed according to the plan and maintain a rational pace for capital construction. If not, we will not be able to maximize the positive effects of reform work in the construction industry and capital construction, such as replacing central allocations with credit, public bidding, creating systems of economic responsibility, and so on.

II. Continue the Reform of the Construction Industry and the Capital Construction Management System

It ought to be said that the series of reforms we conducted of the construction industry and capital construction were successful. The core of the reform was arousing the enthusiasm of the vast ranks of workers, technicians, and cadres in construction enterprises and units and, planning units for socialist construction, turning capital construction toward the goal of increasing economic results. We cannot one-sidely strive after quantity and increasing enterprise revenue while ignoring quality and consumer convenience during production and utilization. A standard is necessary in measuring the results of reform, and that standard is one of economic, environmental, and social benefit.

Here we shall analyze briefly the system of responsibility pegging wages to output value per 100 yuan. This method has achieved some success, but is flawed, because the larger the volume of work, the greater the wage content, and a concrete analysis of how work volume is increased is necessary. In some cases, increase is due to normal conditions, such as building so many square meters of housing and raising labor productivity, activities which should be rewarded according to the labor involved. However, the reporting of work volume can also include deception, such as the artificial raising of manufacturing costs and output value by some construction enterprises so that wages also increase. This is the system's defect. Construction installation charges are currently calculated according to projection. If the main structure is worth money, everyone is willing to work, and quickly. Once that is completed, most of the money is gone. There is not much money left for people doing bothersome supplementary finishing jobs. As a result, work proceeds very slowly. It takes a year, and even 2 or 3 years to finish a house from the completion of the main structure to occupancy. At some projects after indoor installation work has been going on for a long time, there still is no electricity, water, or roads leading to them after completion, rendering occupancy impossible. When such problems occur, it would give rise to disputes between the bureaucratic leadership and among departments. But there is also a real problem in the work style of our construction industry. Some units wish only to "eat meat" without "gnawing on bones," and refuse to take on work that will not produce high output value. But unfinished construction projects have no utility value. For the state to invest but not to get any utility value for a long time is a big problem. Therefore, pegging wages to output value per 100 yuan and methods of payment in construction should be improved. For example, the method of payment by projection could be changed to borrowing funds from the bank and making payment only after work is completed. If a project is not completed, it will not be checked and accepted and payment will not be made and the interest on the funds is the responsibility of the construction enterprise. What should be done if a project takes too long to complete, such as 7 or 8 years? This requires careful study. In short, we must reform and arouse everyone's enthusiasm, but we must take note of the defects caused by imperfections in reform and work hard to eliminate them. Another big problem is collecting design fees based on construction costs when there are no state standards regarding design, because the higher construction costs are, the greater the revenue of the designers and the workers' bonuses. This could cause some design units to think of ways to use expensive materials and equipment to raise design standards and construction costs. Making design units operate like enterprises and implementing systems of economic responsibility are steps that should be completely affirmed and followed, because in this way, the enthusiasm of designers can be better aroused. However, in some places where this is poorly implemented, it could lead to the above-mentioned problems. Therefore, this step forward must be affirmed while noting its flaws and seeking ways to correct them. For example, one improvement would be to charge set fees by kind, separating fees from investment. In addition, a system of bidding could be adopted, allowing several design units to participate. Whoever has plans of higher quality, with a short construction time, low costs, reasonable fees, advanced suitable technology, and good overall results, will win the contract, initiating competition under socialist conditions.

The many standards for capital construction is a problem worth studying. We have had quite a few experiences and lessons in this regard. For example, for a period of time we sought only quantity and neglected quality. In the electrical power system we engaged in simple and easy transmission of electricity and easy methods of commencing its generation. In the course of construction, we did survey, design and construction work all at the same time, causing some projects to be done over and over again, which led to great waste. Later it was decided that things must be done according to correct procedures, requiring a norm to be met before going into operation. This was a step forward, but another tendency is now appearing--the adoption of excessively high standards and norms divorced from China's current reality. China is a developing country. Some techniques which are the most advanced worldwide are not necessarily the most suitable for us. With the exception of certain individual projects that require the most advanced technology to place us in the forefront, generally speaking, we should adopt more suitable, middle-level technologies to save on investment and increase returns. For example, the railway from Yunzhou to Shijiusuo was built fairly rapidly. It is of fairly good quality and could be put into use soon after work was begun. These are laudable achievements. At the same time, its problems must be noted. Its standards were too high: First, there is a station every 8 to 9 km, when for other railways it is every 30 to 40 km. This required the requisition of more land, increasing the construction area, number of workers, and time needed to complete the project. Second was controlling the incline at 4/1000. The region from Shijuisuo to Yunzhou is a hilly area. An incline of 6/1000 to 8/1000 would have been sufficient and would not have affected train speed or traffic. Because of the goal of meeting a 1/4000 standard, earth and stone work was greatly increased. As a result, building costs came to 4 million yuan per km, while the cost of building a local railway from Pianguan to Baode County in Shanxi Province was less than 1 million yuan per km, and construction time was shorter. Of course the conditions surrounding these two railroads were not exactly the same, but the problem of a saving on investment while guaranteeing quality and meeting user demand is a noteworthy one. Therefore, we must take the problem of construction standards seriously. At present, whenever some units can find a reason to make foreign technical contact in the course of a construction project they organize a tour abroad and import advanced technology and end up spending a lot of money. Much time is spent in touring and negotiating a contract but the imported technology is not necessarily suitable. In short, we must, without doubt, import advanced technology, but this is not required of every project. Problems should be resolved domestically as much as possible. We should proceed from the real situation in China.

III. Improve Service Style, Regard Enhancing Social Benefit as the Basic Goal of Reform

The construction industry has done a lot of work in the last few years, but there still remains a problem of improving workstyle. Our construction industry must regard itself as a large service industry. Our task is to serve the people, the enterprises, production, living standards, and the development of the national economy. Therefore, in order to obtain social benefits, we must understand the concept of serving the people. The purpose of the reform is to arouse enthusiasm in all quarters. Success or failure is to be judged according to the social benefit accrued, not just the benefits obtained for one's own unit. If, after reform, the construction industry becomes wealthy but complaints from society are rampant due to uninhabitable housing and poor installation of equipment, the reform will still have been a failure. A comrade wrote an article called "Who Really Is Concerned with Lowering Costs?", in which it is claimed that due to our management system and some regulations, some units make a good profit by raising production costs and are not concerned with lowering them. This definitely has some truth to it. When some prefectures, departments and units wish to begin a project they start off by minimizing the amount of investment needed and inflating predicted benefits so that after the supervisory agencies grant permission, they send in another report, "before the ink is dry" demanding more investment. Given such a situation, can they really be concerned with lowering costs? It is clear that reform of the capital construction management system is an important task. As China is a socialist country, each party member and leading cadre must think in terms of the interests of the state and find ways to correct our service style, do a good job of reforming the management system over the construction industry and capital construction, and genuinely augment social benefits.

IV. Several Specific Problems Relating to the Reform

A. Bidding: Our system of work in bidding from construction bids to design, then project bids is a good one. For example, if the state can only undertake one or two projects, where should they be located? Many provinces and cities compete with each other for projects to the point of furious dispute. The solution is to allow bidding. For example, to construct a monocrystalline silicon factory, we opened bidding in a dozen provinces, listing 10 or so requirements relating to the environment, technology, transportation, ore, etc. In the first round of bidding, Beijing and Sichuan won. In the round, a choice was made between the two. This avoids the problem of projects being awarded to whoever shouts the loudest and is the most active. However, we must not think in absolute terms about the system's advantages, as other problems may occur, because some bidders may lower their conditions during bidding then raise them again after winning. In short, to do a project well requires constant improvement to gradually create a complete and effective method.

B. Implementing a Credit System: The credit system has a definite effect on how construction units use state capital, because it calls for taking on economic responsibility. However, we cannot think in absolute terms regarding its function. We have already witnessed some problems: 1. Some people who do not understand economics do not care what taking a loan entails--loan or grant, isn't it all the state's money?--and fail to proceed according to the demands of the credit system. 2. Some people feel so long as my project can win approval I'll borrow as much as I want--besides the money won't be coming out of my pocket. And if they spend too much money they rationalize it as politically necessary. Therefore, although the credit system has an effect, it would be unrealistic to regard it as perfect, as it must be further improved. In short, we must fully affirm these last few years of reform, but must note existing problems as well. We should seriously review our experiences in our implementation of the system of economic responsibility, and the creation of bidding, credit, and a series of other reforms, enhancing their achievements and overcoming shortcomings, advancing on a new foundation. Our many years of experience in construction tell us that we cannot rely on just one method. In the past we lacked economic methods, whereas now we use many. At the same time, we must have administrative measures, improve ideological and political work, and increase the use of legal methods. It should be said that we do not use legal methods enough. We need economic courts and agencies of arbitration. We do not have these yet, and therefore must make an overall review of them and seek improvements.

C. Contracting Development Companies: This is also part of the reform. In the past, we had two organizational forms in capital construction--one was called command headquarters, the other, the construction unit. Both had their flaws and good points, but neither were state-run, specialized, comprehensively organized organs for construction work. I feel that the overall management of capital construction, the organization of design, production, allocations, engineering, equipment and materials is a specialized field of knowledge, a form of systems engineering that requires specialized organizations and personnel. In the past, this work was distributed throughout many different sectors. Some of it was in factories, while sometimes the construction unit would organize an office in charge of preparations, or set up a command headquarters, to coordinate the work of the party, government, military, and people. Overall command over larger projects was always in the hands of the secretary of the municipal CPC committee, ministry chief, or governor; plus there was the old State Construction Commission. Once the project was finished, if there was no other work, personnel would be dispersed and no experience could be accumulated. If we desire to put management over capital construction in China on a scientific basis from now on, we must develop those professions that engage in organizing construction work. Such organizations are already beginning to emerge. Some are called development companies, while others are called construction contracting companies or consulting companies. Employing many specialized personnel, these companies take on long-term projects of all kinds and thereby are able to accumulate experience in construction. Construction work, materials, labor, and technology for several projects are all organized by one company so that each project can supplement the other. China's future construction tasks are heavy ones. If we are to make capital construction management more scientific and systematic and constantly accumulate experience, we must have such companies with specialized personnel.

D. Investment Contracting: An important problem at present is avoiding rigidity in contracting. I think there are many reasons for this. A major one is work from the prior period was not yet completed while many changes were made in design that lacked depth, so that when the number of projects and investment increased, it seemed reasonable after review. Another important problem is: increases in the price of raw material and in wages. Investment contracting involves a system of responsibility which was originally capable of arousing enthusiasm in design and construction units. But due to rigidity in contracting, it played a small role. Therefore we propose that the appropriate departments of the State Planning Commission study the problem and, through scientific management, find out if we can create, as in foreign countries, a commodity price index system that will periodically announce changes and fluctuations. After a project is contracted for, legal and economic responsibility must be taken according to adjustments of increases in the commodity price index.

V. Building Bases for Capital Construction

Some departments have a large volume of work, but also inflated staffs which are greater than needed to do the job. The number of nonproductive personnel has been increasing, as has the number of older personnel. Some larger teams are one big society and do everything for their workers, thus resulting in heavier and heavier burdens. This is a big problem among our construction teams. It appears we will have to think up ways to streamline them a bit. Construction teams should have their own bases for living, education, and full employment opportunity. We must organize some light and tertiary industries that will absorb surplus personnel and the not yet employed in order to streamline the ranks of first-line construction workers. This will not be an easy task, as many departments, provinces, and cities protect their own construction units, assigning them work as soon as it is available. This is not bidding, but task distribution. A considerable amount of investment is used to support teams that lack a sufficient volume of work, which is a big problem. If you do not support a particular team, that team will get restless, so you end up assigning them work anyway. But if there is money to support a team, they may not energetically seek either another way out or reform; therefore streamlining will not be easy. I believe we should permit more bidding on projects, allow interdepartmental and interregional bidding, and end isolation and protectionism to allow for competition. This will promote improvement. The construction unit is an independent enterprise and must have a hand in everything. While touring for some time in foreign lands, we saw very few construction enterprises that could only do one thing. This is the direction in which our construction teams must develop in the future. Of course, we must also have specialized teams for such tasks as the installation of indoor fixtures. We must create such an industry to do specialized work in the field and train personnel. It does not take us long to put up the main structure in housebuilding, but work is quite slow in the installation of internal fixtures. This is an art that requires some knowledge and not just technique. Fixtures have to be both suitable and attractive. Once our living standards rise to a certain level, great changes will be seen in our homes in this respect. In many old cities of some Western European countries many buildings are from the 18th century; they are not torn down, but the insides are remodeled and modernized while the outer shell is retained. When China develops to a certain level, we will engage in similar remodeling. But we cannot do this solely by ourselves. We need an industry that can take on this sort of work. Some buildings are unpleasant looking on the outside, but because the rooms are comfortable and nice looking, people are willing to live in them. In the process of party rectification and economic reforms, China's construction industry must lead the teams well and reorganize grassroots units in order to make new contributions to the construction of the four modernizations.

12221/12899
CSO: 4006/980

TIAN JIYUN INTERVIEWED ON PRICE REFORM

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC SYSTEMS REFORM] in Chinese No 3, 23 Mar 86 pp 4-6

[Interview with Tian Jiyun by unidentified reporter: "Vice Premier Tian Jiyun Discusses Price Reform"; date and place not given]

[Text] [Summary] Vice Premier Tian Jiyun says: last year price reform took a great step forward. This year we must consolidate, digest, supplement and improve the measures already taken and maintain basic commodity price stability. [End summary]

Price reform is the key to the success or failure of the reform of the entire economic structure. Whether or not reform structuring will proceed smoothly depends to a very large extent on price reform. This periodical's reporter interviewed Vice Premier Tian Jiyun [3944 4764 7189] on the conditions of last year's price reform and problems relating to the policy and tasks of this year's price reform.

[Question] Vice Premier Tian, could you please first discuss your basic viewpoints about last year's price reform?

[Answer] Last year's price reform can be summarized in three points.

First, it was a year of great progress. Looking back on last year's price reform now, this step was quite big and was taken rather smoothly. Generally speaking, the direction is correct, the situation normal, and the results good.

It was also a year of numerous problems. Naturally, these problems had many causes. It is hard to entirely avoid the emergence of various kinds of problems amidst a reform. Commodity price departments and other related departments are working hard to solve these problems. Some problems have been solved, others are gradually being solved.

Third, it was a year of tense struggle. In order to ensure the smooth implementation of the reform and to obtain the expected results, party committees and people's governments at all levels carried on intense work. The comrades of commodity Price Departments and related agencies cooperated closely, working diligently and conscientiously. Every agency and department put forth great effort and made very big contribution.

[Question] What price reforms were carried out last year?

[Answer] Last year we made great strides in the area of price reform. First, there was a basic rationalization of the purchase and sale prices of rural grains. This problem, which had been building up over many years, was solved last year. At the same time, we reformed the purchasing system for grains, cotton, oil, and other important agricultural sideline products. We turned the system of state monopoly over purchase into a system of contract orders. This has great significance for the promotion of the commodity economy in rural areas.

Second, the policy of having and selling live pigs was adjusted. One after another, all localities decontrolled the price of fresh and live nonstaple food such as pork, vegetables, etc. Thus, we took a major step in the most sensitive area which most directly affects the livelihood of the masses. This area is the most difficult aspect of the reform. Although many countries also thought that this was the most difficult part of the reform, we accomplished it rather smoothly.

Third, we adjusted the price of railway transportation over short distances. This type of reform is good and beneficial, promoting a system in which roads and waterways share the transport burden with railroads. In addition, there was also some progress implementing the "double-track system" of capital goods prices and decontrolling small commodity prices also. In brief, last year's price reform took a big step in the direction of rationalizing the price system and had a positive effect on the promotion of economic development. The results of the above measures should gradually be demonstrated with the passage of time.

[Question] Why did commodity prices rise so sharply last year?

[Answer] Last year there really was a problem with the sharp rise in the commodity price index. The national average reached 9 percent, although naturally it was not the same everywhere, especially in the large cities, where the rise was even sharper. The causes of last year's rather large commodity price rise include the following: First, there was the structural readjustment of prices. We carried out this readjustment on our own initiative in order to rationalize the price system. Second, since the fourth quarter of 1984 the scale of capital construction was too large, the growth rate of industrial output was too high, the increase of consumption funds was too sharp, too much currency was put in circulation and demand for numerous commodities was greater than supply. As a result, commodity prices rose. Third, the decontrol of prices of most agricultural sideline commodities and the rise in prices of capital goods outside the plan spurred the rise in prices of some consumer goods. Fourth, there were flaws in concrete work. Most notable is the vegetable problem. After vegetable prices were decontrolled in some large cities work did not keep pace. Vegetable cultivation plans were poorly handled and circulation channels were not current so that the prices of popular vegetables rose steeply. Fifth, some industrial and commercial enterprises and small individual retailers violated the national commodity price policy by randomly and covertly raising prices. Although we stressed this problem, our supervision and inspection were insufficient.

[Question] Although commodity prices have risen, so has the standard of living. Is this the actual situation?

[Answer] This is a fact. This is an objective view of the problem. In the process of implementing the reform, even though the commodity price level has risen quite a bit, still, owing to the economic development promoted by the price readjustment people's income has also risen. Viewed generally, the rise in people's income has outstripped the rise in commodity prices. According to statistics, at the time of the Sixth 5-Year Plan the commodity price index rose 18.7 percent yet workers' average income rise 68 percent while peasants average net income rose 109 percent. Naturally, actual conditions are uneven and vary among particular families, households and individuals.

[Question] What measures is the country taking to solve the problem of last year's sharp commodity price increase?

[Answer] The Central Committee and the State Council are giving their complete attention to this problem and have already taken a series of steps to solve it. Last year we strengthened our macroeconomic control over the scope of capital construction and consumption funds. With respect to controlling the commodity price rise, this was an important measure for eliminating the economic instabilities that had occurred. It was also a drastic measure, taken to deal with the situation. In order to solve the problem of higher vegetable prices in large and medium-sized cities we required city suburbs to ensure vegetable cultivation in stipulated areas. We required state-operated commercial enterprises to control most of the supply of popular vegetables, to implement supply adjustments and to restrain commodity prices. When necessary, maximum areas were imposed on major vegetables. An upper limit was set for the floating prices of principal capital goods outside the plan. At the same time, the inspection, management, and supervision of commodity prices were strengthened. After these steps were taken, some rather good results were obtained. From now on we should gradually get clearer results.

[Question] What are the tasks and policies of commodity price work this year?

[Answer] The important thing in this year's economic structure reform is to "consolidate, digest, supplement and improve" the reform measures already taken, keep the benefits and get rid of the disadvantages and solve the major problems. At the same time, we must make good preparations for the major steps to be taken in future reforms. This is the policy of this year's economic structure reform as well as the policy of this year's price reform. The two tasks of this year's commodity price work are to resolutely maintain the basic stability of commodity prices and to prepare well for next year's price reforms.

The price reform will be carried out in stages and in a planned manner. Last year's price reform was a rather big step. Considering the burden on public finance, on commercial enterprise consumption, and on the masses, this year we must maintain basic price stability, not introducing large reform measures, but making some minor upward and downward adjustments in some commodity prices which are irrational. These adjustments will be implemented mainly in order to consolidate, digest, supplement and improve the measures that have already been introduced. All inappropriate price rises will be firmly resisted. We cannot have a situation in which this year we fail to take any major steps in the area of price reform but make a lot of minor changes and noise with a result that instead of solving problems we may create many adverse influences. Thus, there will be problems for next year's reforms. Now we must address this problem promptly, in order to attract everybody's attention. Government and relevant departments at all levels must make the maintenance of basic commodity price stability their main responsibility and seriously carry it out.

[Question] What measures are to be taken this year to maintain basic commodity price stability?

[Answer] It is clear that maintaining basic commodity price stability this year is an arduous task, which requires that measures be taken in many areas. We must pay special attention to the key points. First, we must grasp key measures. We need to strengthen and improve macroeconomic control and take resolute steps to control the scope of capital construction investment and the unchecked growth in consumption funds. At the same time, we must actively produce marketable goods to ensure market demand. Second, we must grasp key districts such as large and middle-sized cities, particularly the three municipalities and provincial capitals. Third, we must grasp the key varieties. I favor making vegetables and nonstaple foods the key varieties for stabilizing commodity prices. Vegetables, meat and eggs are nonstaple foods. If we can grasp them well and stabilize their prices the masses will be contented. Vegetables are the most important items of all. We must do everything we can to maintain basic stability of vegetable prices. With respect to last year's great rise in the price of some vegetables, we should strive to bring them down. After decontrolling vegetable prices we must encourage the peasants' enthusiasm for planting vegetables so that the supply of vegetables on the market can be increased. At the same time, with last year's experience, our work can also be improved. Thus, it is possible to carry out this requirement. Vegetable prices in one place should not be high for long; they reflect the level of work in that particular place. During the peak season, state-run enterprises must actively purchase and store eggs. This protects both producers' and consumers' interests. Commodity price department must help commerce departments do this kind of work well and handle seasonal price differences well too.

Commodity price departments must strictly check commodity prices. They must firmly resist and never yield to demands for irrational price rises. All price readjustment measures must be weighed in light of the overall situation. Viewed from the partial situation, some price readjustments make sense yet viewed from the whole situation, the readjustments may be problematic. The part must submit to the whole, the partial situation to the overall situation. The larger principle governs the lesser principle.

We must strengthen the work of commodity price supervision and inspection. Although some commodity prices have been decontrolled we still cannot remove our supervision over them. With respect to prices, we must exercise the necessary leadership, coordination, supervision, and management. This is at once guidance measure and a supplementation and improvement one. We must firmly stop the practice of raising prices haphazardly. We must earnestly handle violations of commodity price policy. We must exercise the necessary leadership over market prices and strengthen our control over individual small retailers. The nation represents all of the people, not just this or that group. It must protect the interests of all of the people and be responsible for producers, managers, and consumers. Only when all of the people live and work peacefully and contentedly, can we maintain stability and unity for a long time.

[Question] Could you please discuss China's price reform prospects?

[Answer] Since the 3rd Plenary Session of the 11th Central Committee, we have implemented a series of price readjustments and reforms. In general, there are two points which must be made clear. First, we must reform our country's current pricing system; all aspects of the economy will fail to run smoothly, the entire economy will be unable to develop healthily over a long period of time and many contradictions in economic life will become insurmountable and be further exacerbated. In the long run, this would be deliterious to economic development and the improvement of the people's livelihood. Second, over the past few years, although we have had some problems here and there with the reforms, by and large they have been sucessful. The problems that have emerged from the reform can only be resolved with further improved reforms. We cannot retrogress. These two points form our basic understanding of the problems of commodity prices and price reform. Only by upholding this kind of understanding, can we resolutely and gradually build confidence in the price reform. This is extremely important. Even though the difficulties of price reform are rather great, still we have made a good beginning. Through practice, everybody has gained an increasingly similar understanding of the price reform, and the reform has gained the support of the masses. At the same time, owing to the improvement and strengthening of macroeconomic control, the causes of the instabilities that emerged in economic life in the first stage are gradually being eliminated. This will create positive conditions for further improving our handling of price reform. I am convinced that the objective of maintaining our basic commodity price stability this year can be accomplished if we unceasingly sum up experiences, meticulously organize, and make unremitting efforts. We can be fully confident that future price reform will be better prepared and planned than the reform of the past several years, and it will have better results.

13263/9435
CSO: 4006/981

ECONOMIC MANAGEMENT

MINISTRY OF COMMERCE MAPS OUT SEVENTH 5-YEAR PLAN

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 19 May 86 p 3

[Article: "Ministry of Commerce Maps Out Main Points of Seventh 5-Year Plan For Commerce; Do a Good Job of Commercial Reform, Make Good Market Dispositions; Enable Grassroots Enterprises To Become Autonomous Dealers in Commodities Responsible for All Losses and Profits"]

[Text] In mapping out the main points of the Seventh 5-Year Plan for Commerce, the Ministry of Commerce proposed that the focal points of work in commerce during the plan's period be: 1) doing a good job of commercial reform; 2) arranging markets well.

This year's major commercial reform is to further consolidate, absorb, supplement, and improve various reforms already begun. We must do a good job in reforming urban commerce, further streamline administration and decentralize, and enhance the enterprises' ability to remold and develop themselves. Great efforts must be made to develop lateral relations and break down barriers between regions, sectors, city and countryside and between the different systems of ownership so that each can help open up the other. We must energetically initiate a new type of commerce characterized by integration of industry, agriculture, and commerce, add on new channels of communication and create new commercial forms. We must seriously study and promote the use of commercial services to open up society, further stimulate the commodity flow, and improve enterprise and social benefits. In the next few years, we must reform the pricing system in coordination with pricing departments and rationalize the prices of commodities. We must implement a fundamental separation of the functions and responsibilities of government and enterprise, so that the focus of work of commercial administrative departments can gradually shift away from direct control to one of indirect control, gradually implement unified leadership and management over commerce, further stimulate the enterprises, so that grassroots enterprises can really become relatively independent, autonomous socialist commodity dealers with responsibility for both losses and profits, constantly develop the socialist, planned commodity market and strive to build a foundation for a new-style socialist commercial system with Chinese characteristics.

As regards market supply, the supply of commodities to the market must, first of all, be greatly improved in the first 2 years and market prices must be basically maintained at the level of the 1985 reform. The quality of enterprise services must make an initial turn for the better. In the second 3 years, a basic balance of supply and demand on the market must be achieved based on a fundamental realignment of prices. Supplies to urban and rural markets must be made more abundant and thriving. Based on the strengthening of ideological and political work and the enhancing of commercial staff quality, enterprise service attitudes and quality will make a basic turn for the better to satisfy the masses of the people and make things more convenient for them in the purchase and sales of commodities and in their daily lives.

In order to implement the goals and priorities of the Seventh 5-Year Plan, the Ministry of Commerce suggested focusing on the following three major points: 1) Improve personnel. Strive to further develop and enhance the quality of the commercial ranks. While further strengthening ideological and political education, work hard to augment the workers' professional and technical level and understanding of policy, so that the vast ranks of commercial employees are aware of the need to, and are capable of wholeheartedly serving the people. 2) Improve construction of networks. We must rely on social forces as well as state support to develop commercial networks, improve storage and transportation facilities for commodities, arrange networks rationally so that they suit the needs of commodity flow and are convenient to the masses. 3) Continue to modernize commercial science, technology and management, changing its backward outlook raising the level of enterprise management.

12221/12899
CSO: 4006/1053

BEIJING: LI XIMING SPEECH ON SERVICE WORK

SK090630 Beijing BEIJING RIBAO in Chinese 27 Jun 86 pp 1, 4

[Speech by Li Ximing, secretary of the Beijing Municipal CPC Committee, at the Beijing Municipal service work conference on 23 June, "Strengthen Leadership, Promote Reform, and Vigorously Improve the Capital's Service Work"]

[Text] The CPC Central Committee and the State Council have been concerned about the service work of Beijing Municipality. The whole country as well as the people throughout the municipality have also been concerned about this work. In order to improve the capital's service work, the municipal CPC committee and the municipal government have decided to hold this special conference in an effort to mobilize the efforts of all quarters to realistically attend to this major work which has a vital bearing on the prestige of the capital and the livelihood of the masses.

1. The basic situation and the existing problems in the capital's service work.

Over the past few years, under the concern of the CPC Central Committee and the State Council and the support of the various central departments and of the fraternal provinces and cities, the capital has greatly developed its service undertakings, including the commercial service, tourist, communications, post and telecommunications, medical and public health, urban administration and public utilities undertakings. The broad masses of cadres and workers working in these trades have worked diligently and done much. Under the situation in which the municipality has implemented the policy of opening to the outside world and invigorating the domestic economy and rapidly developed the commodity economy, the urban population has increased sharply; the social demands and the people's purchasing power have been unceasingly raised; the work load has doubled that of previous year; the broad masses of cadres and workers have overcome the difficulty of a shortage of manpower, funds, and service network; and a brisk and stable market situation has been ensured. In 1985, the municipality's total retail sales of commodities reached 12.79 billion yuan, doubling that of 1980. The number of service centers in the commercial, catering, service, and repair trades increased to 82,000, up 3.5 times over 1980. The number of restaurants, hotels, and guesthouses for the public reached 3,564, an increase of 26.8 times over 1980. We received 937,000 foreign tourists and earned $330 million of foreign exchange, showing an increase of 3.3 times and 3.2 times respectively over 1980. In the past 5 years, the municipality as a whole increased the number of means of public transportation by 1,480, and rental vehicles 8,630, more than 4 times the increased number of rental vehicles in the Fifth 5-Year Plan period. Some inconveniences in the livelihood of the masses have been eased up by varying degrees.

Over the past few years, the commercial and service trades have carried out a series of reform and scored remarkable achievements. We have broken with the systems of unified state purchase, guaranteed marketing, monopolized management, a few channels, many links, and a distribution- and closed-type of circulation. A new circulation system characterized by various economic sectors, diversified forms of management and circulation channels, fewer links, and open economy has been initially established. The management departments at all levels have decentralized powers, gradually expanded the decision-making power of enterprises, and instilled vitality into enterprises. The large- and medium-sized state enterprises have universally implemented the policy of delivery of taxes instead of profits. Some small state enterprises have been managed by the collectives; some have been changed into collective ownership; and some have been leased out to the collectives and individuals, thus breaking with the situation of enterprises eating from the "big common pots" of the state. We have implemented the various forms of the operational contract responsibility system among enterprises, and scored initial success in breaking with the egalitarianism of workers eating from the "big common pots" of enterprises. The reforms have correct orientations, and have achieved a remarkable success, playing an important role in invigorating circulation, enlivening markets, promoting production, satisfying the needs of the people, and raising the service quality and service level.

In accordance with the decision of the central authorities on strengthening education for staff members and workers, commercial departments and service trades have enthusiastically trained their cadres and staff members and workers. Over the past 5 years, about 230,000 staff members and workers have been released from their work for studies for 1 month or more. The staff members and workers have basically taken supplementary courses of junior middle school education and possess primary professional skills. The number of cadres with education at or above the secondary specialized school level increased from 7 percent in 1982 to 21 percent. All units have upgraded the professional level of the staff members and workers through carrying out activities such as holding in-service training and skill contests.

The vast number of cadres. staff members and workers in service trades have done much work with regard to improving the service quality. Since 1981 the municipality has facilitated the work of offering quality service through successively holding discussions on "serving the people and taking the responsibility for the people;" launching activities for being civil and courtly with the contents of "creating a fine environment, keeping a good public order, offering quality service, and learning from Lei Feng and the advanced;" carrying out the activities of "vying with each other to be civilized salesmen and civilized stores;" summing up and popularizing the experiences gained by civilized units; and strengthening management over the service work.

A number of advanced units that offered quality service to consumers have emerged from the commercial and service trades along with the deep development of reform. The advanced units are as follows: The Tianqiao shopping center was commended for strengthening scientific management, strictly enforcing the responsibility system, and enthusiastically serving customers; the Xinxin clothing store was commended for persistently selecting and employing the excellent, strictly enforcing the appraisal system, and carrying out standardized service; the Baiguanglu shopping center was commended for strengthening ideological and political work, carrying out the system of "cadres working on the spot on three occasions," conducting flexible management, and offering good service; the Xiheyan vegetable market was commended for perfecting the contracted responsibility system with the focus on management, widening the differences in distribution of bonuses, and ceaselessly improving the service quality; the Hongyunlou restaurant was commended for balancing the relations between social benefits and economic results, firmly grasping professional skills, and offering warm service to customers; and the Jindinuie shopping center, the Caishikou barbershop, the Guanganmen No 1 grain and edible oil foodstore, and the Fengtai District's Qiaobei nonstaple foodstore were commended for doing good jobs in improving the service quality.

A group of advanced and model workers have emerged from the commercial and service trades. They are as follows: Du Jingang, secretary of the party branch of the grassroots shop, was commended for working selflessly for the public interests, caring for the masses, and persisting in the spirit of fighting as long as he is alive; Xiao Zhiying, a special-class model workers among the commercial departments throughout the country and a saleswoman of the Donghua clothing store, was commended for carefully studying the demands of consumers from all localities and trying every means to offer good service; Wang Huangui, a special-class model worker and chief salesman of a foodstore outside the Dongzhi Gate, was commended as a "close friend" of the masses for satisfying customers' demands, exploring work patterns, and providing warm and good service; and Du Deshun, a municipal model worker and a chiropodist of the Hufangqiao public bathhouse, was praised by the masses for volunteering to be a chiropodist after graduating from university, constantly improving his skills, and helping relieve his patients pain. These advanced units and model figures have some characteristics in common such as persisting in the goal of offering service to the people, regarding the work of achieving service work and satisfying the demands of the masses as their greatest will and lofty duties, and making outstanding achievements although working at ordinary posts. Their advanced deeds have stood for the main ideological trend of the staff members and workers in the commercial and service trades, and have embodied the style and features of the time. These advanced units and model figures have played an exemplary role in achieving the capital's service work.

We should fully affirm the facts that commercial and service trades have made achievements in their work and the ranks of staff members and workers among these trades have been good. However, we must understand that the overall service level is not good enough and there exist many problems concerning the service attitude and service quality.

The prominent ones are: First, some units are lax in labor discipline and have often left the guests out in the cold while others have been rude to the customers, or have even beaten up or scolded them; second, some units are poor in operational work style and have the unhealthy trends of giving substandard products or less than the promised quantity to the buyers, raising prices in a disguised form, and seeking personal gains from selling products; third, some illegal peddlers and traders have cheated and dominated the markets, cheated the customers, and disrupted the markets; and fourth, the development speed of some service items bringing conveniences to the daily lives of the people is not rapid enough, and the difficult problems concerning the livelihood of the people have not yet been solved.

All quarters have complaints about the existing problems in the service work of Beijing Municipality. The broad masses of people are not satisfied with the work also. The people's deputies have put forward acute criticism, and the domestic and foreign visitors to Beijing have shown strong repercussions to this. In the past 2 years, the central leading comrades have issued many instructions concerning the service attitude and quality of Beijing.

The problems concerning the service work of Beijing Municipality usually come from the lower levels with the main responsibility lying in leaders, including leaders of the municipal CPC committee and the municipal government. Our main problems are: Under the new situation in which we are implementing the policy of opening to the outside world and invigorating the domestic economic, and rapidly developing the socialist commodity economy, we are still lagged behind in thinking and work, and the work in the circulation sphere in particular has not been carried out coordinatedly. We have failed to fully understand and recognize the special status and important significance of the capital's service work and to grasp the work firmly and effectively. Although we have scored achievements in the reform of the service trades, we have also experienced setbacks and retrogressions. The main ones are that we have failed to implement the responsibility system, and to widen the differences in distribution, thus hindering enterprises from displaying their enthusiasm in operation and workers in their work. In the past few years, we have slackened our efforts in ideological and political work indeed, and the ideology of "taking money above everything else" has emerged, affecting the implementation of the fundamental purpose of serving the people and holding the responsibility for the people in the service sector. Objectively speaking, due to the long-standing erroneous leftist influence, the idea of belittling commerce, and the bureaucratic business work style are very serious. It takes time to thoroughly change such outdated ideology, concepts and work style. It also takes time to cater to the sharply increasing needs of the people because of the poor material foundation in the commercial and service sectors, the fewer service networks, and the inadequate number of personnel.

All in all, over the past few years, all quarters have exerted great efforts and worked painstakingly to improve the service attitude and quality, but the results are not good enough. The service work of the capital has been unstable--sometimes good and sometimes bad--and none of the problems has been fundamentally solved. The purpose of this conference is to systematically analyze the existing problems in the service work, to conscientiously sum up experiences, and to adopt comprehensive measures, in order to improve the backward situation in the capital's service work within a short period of time. This task is arduous and difficult. We should turn our pressure into a driving force and make the most of the favorable situation brought about by the concern, support and expectation of various quarters in Beijing Municipality's service work, unify our thinking, enhance our spirit, pioneer our road of advance, carry out extensive reform, and mobilize the people throughout the municipality to further improve the capital's service work.

2. We should straighten out guiding ideology and improve service work.

The reasons for the various problems reflected in the capital's service work, in the final analysis, can be found in the guiding ideology. In order to raise service work to a new level, we should solve the following few problems in the guiding ideology.

First, we should clearly understand the special and important status of the service work among all other fields of work in the capital.

Beijing is the capital of the motherland, the political dn cultural center of the country, and the working place of the CPC Central Committee and the State Council. The nature and functions of this municipality demand the people to place service work above all other fields of work and to consider serving the central authorities, the international and domestic contacts, and the people throughout the municipality as their bounden duties and glorious tasks. The service work in all fields of the municipality, in particular, the work quality and service attitude of such service trades as commercial, service, tourist, transport, telecommunications, medical and health, civil administrative, and public service trades, directly affects the reputation of the capital as well as the state. If we do a good job in our service work, we can not only create fine customs ahead of other places throughout the country but also unfold the spiritual outlook of the Chinese nationality before the people throughout the world.

Since Beijing occupies a peculiar position, the central authorities have required us to create favorable conditions for the CPC Central Committee and the State Council to lead the work of the whole country, to develop international contacts, and to help improve the working and living conditions of the people of the whole municipality, and to play an exemplary role for all cities throughout the country in building the socialist spiritual and material civilizations. We should rapidly develop various kinds of service trades, make a unified plan, strengthen management, conduct training for staff members and workers in a planned and organizational manner, improve the service quality, give convenience to the people's livelihood, and provide the first-class service to the people. After hearing the work report delivered by the Ministry of Commerce recently, the Secretariat of the CPC Central Committee definitely pointed out that since Beijing is a key window for conducting commercial work in our country, its service work will have a comparatively great impact on the commercial affairs in and outside the country. Thus, we should adopt effective measures to improve the service attitude and service quality and strive to play a leading role in the commercial affairs of the whole country.

Thus, it is clear that improving the capital's service work to the highest possible level is needed in implementing the four directives and 10 written replies of the central authorities, bringing into play the city's nature and functions, facilitating the capital's modernization, upgrading the people's livelihood, strengthening socialist spiritual civilization, establishing a new type of personnel relations, and realizing a fundamental turn for the better in the capital's social conduct. Simultaneously it is a serious political task as well as an overall strategic work. Leaders at all levels should fully and clearly understand this basic guiding ideology, firmly foster the idea of providing good service, get rid of the wrong ideas such as not setting strict demands on themselves, attempting to accomplish nothing, and considering themselves good, and strive to achieve the service work in high quality and standards. The people of the whole municipality should fully understand the specific and important significance of the service work, enhance the sense of responsibility for being the citizens of the capital, and show concrete deeds of offering quality service at their posts in order to win honors for the capital and the state.

Second, we should eliminate the traditional ideas of despising the commercial and service trades in order to achieve the service work.

Despising the commercial and service trades is one of the important reasons for the relaxed progress in commercial and service trades for a long period of time in Beijing Municipality. The traditional idea of despising businessmen has remote historical origins and has lasted for thousands of years in our country. As an ancient capital for several generations, Beijing had made its living by relying on other's tribute and had no idea about a commodity economy. Thus, the idea of despising businessmen has taken root deeply and in particular, during the 10 years of turmoil, the people regarded counters as "a front to carry out proletarian dictatorship," cut off the ways for the development of commodity production by regarding the development of commodity production as capitalist tails, and criticized the exchange of commodities by regarding it as bourgeois rights. As a result, the circulation channels have become narrower and narrower, service centers fewer and fewer, and the people's livelihood more and more difficult. So far, we have still failed to completely eliminate the remnants of feudalism and the pernicious influence of "leftist" ideas.

The idea of despising service work is incompatible with the idea of vigorously developing the commodity economy. Management and service supplement and promote each other. This idea does work in both capitalist society and socialist society. The capitalists in the capitalist countries always regard providing good service as an important means for business competition.

In a socialist country, enterprises must be developed amid competitions and must also do their service work well. Some of our advanced enterprises have considered quality service as an important task in their operation and management, used services to promote operation, and scored very good economic results and social benefit. Their achievements have vividly explained this principle. At present, leading cadres of some enterprises have considered the fulfillment of economic quotas as a "rigid task," and the fulfillment of service quotas as a "soft task," and have separated operation from service, thus bringing about a situation in which "the principal leaders have grasped operation; the majority of cadres have managed operational work; the key forces have taken charge of operation; and the service work has to give way to the operational work." Under the guidance of such an ideology, it is impossible for us to do our service work well and to improve the service level. Improving service work is an objective demand for developing commodity economy. Along with the development of the socialist commodity economy and the ever-increasingly acute market competitions, the service work, whether good or bad, has a vital bearing on the prosperity of enterprises and the immediate interests of the staff and workers. If we fail to attend the service work and to render good services throughout the whole process of sales, enterprises will be eliminated in the course of competition.

In order to improve the service work of the capital, we should eliminate the outdated ideology and concept of belittling commerce and service trade, foster a sense of the market, competition, efficiency, and service. The whole party and society should pay attention to the commercial and service work. Persons engaging in commercial and service trades as well as persons engaging in production should also pay attention to this work. They should grasp service work with the same efforts in operation. In this way, our socialist commodity economy will be developed along a correct and sound path.

Furthermore, satisfying the ever-increasing material and cultural needs of the people and solving the difficult problems concerning the livelihood of the people will be achieved only by developing production. Fundamentally speaking, doing a good job in the circulation sphere and in service will effectively promote the development of production. Owing to the fact that our country's commodity economy is far from being developed, and that the development of production lags behind the increase in the people's needs for livelihood, the situation in which materials are in short supply and the markets are dominated by sellers will exist for a long period of time. Under such situation, commodities will be sold well even when the service attitude is poor. Objectively speaking, this has fostered the bureaucratic business work style of belittling service among some people. Our tasks are to clearly understand the existing objective contradictions in the socialist modernization drive, to persist in serving the people under the situation of short material supply and sellers' market domination, and strive to provide the service of high quality and high level which we can possibly offer to the broad masses of people. Whether we can achieve this is an important indication for testing the ability of our leaders and their leadership level.

Third, doing a good job in service work, we must correctly handle the relationship between economic results and social benefit.

The fundamental purpose of commerce and service trade is to wholeheartedly serve the people. The economic results of enterprises and the social benefit are an integrated whole. This is a specific manifestation of the superiority of the socialist system. Under the capitalist system, the purpose of all business activities of the capitalists is to gain profits or above-quota profits. Although they also pay attention to service, they consider it only as a means of competition for more profits. They care for social benefits only on the premise of safeguarding the economic results of enterprises. It is not so in our socialist country. Service is not only a means but also our purpose. To unceasingly improve the operation of an enterprise is not only for the sake of its own profits but also for the benefit of the whole society. All acts that harms the interests of the state and the consumers are incompatible with the nature of socialist enterprises. All commercial and service enterprises should uphold the purpose of serving the people, oppose and resist the idea of "putting money above everything else" in doing business, and correctly handle the relations between the economic results and social benefits of enterprises. They should improve the service attitude and service quality through improving operation and management in order to increase their economic results. They should never seek their own interests at the expense of the overall interests and social interests. Otherwise, they will deviate from the socialist principles, and go astray.

3. Upholding reform is the fundamental way to make a success of service work.

Practice over the past few years proved that without reform there would not have been the excellent situation in the capital's commercial and service trades. Without reform, it will also be impossible to solve once and for all problems in service attitude and quality. At present, the reform of the commercial and service trades is only at the beginning; reform measures are not perfect and coordinated; and the work in many fields has not been truly invigorated. The economic responsibility system within enterprises is very imperfect, and the masses of staff members and workers have yet to thoroughly free their enthusiasm from the shackles of the "common big pot" and egalitarianism. The management system is far [words indistinct] commensurate with the demand in the development of the socialist commodity economy, and the macroeconomic regulation with indirect control as the main is lagging behind. To carry out the reform of commercial and service trades thoroughly and successfully, we should emphasize the following issues at present:

First, we should continuously expand the decisionmaking power of enterprises, greatly develop lateral economic cooperation, and further invigorate circulation.

Expanding enterprises' decisionmaking power and invigorating them are the central link of the economic structural reform, the starting and the ending point of reform, and the prerequisite for improving operation and providing quality service for society. Judging from the situation of Beijing, the major problems in expanding the decisionmaking power of commercial and service enterprises are that the power that should be delegated to enterprises has not been truly delegated, or has been delegated only superficially; that the power is withheld at every level or recalled again after being delegated; that some enterprises do not know how to use their power or, in some cases, abuse their power; and that the phenomenon in which arbitrary collection of funds affects the benefits of enterprises and infringes upon their decisionmaking power is rather conspicuous in society. We should continue to simplify administration and delegate power to enterprises to counter these problems. The power for production, operation and business management that should be delegated to enterprises should all be delegated to them, and any level that is entitled to have the power should have it, and no department is permitted to withhold it. Meanwhile, we should support and assist enterprises to use their power properly, and to improve their operation and management standards. We should resolutely check the practice of exacting funds from or imposing fines on enterprises under all sorts of pretexts, or even resorting to blackmail to extort the funds that enterprises have retained for their own use. Of course, enterprises should also pay taxes or funds according to law, and actively fulfill their obligations of developing public welfare facilities.

The key to the further reform of the circulation system lies in the elimination of the long-standing closed way of business characterized by selfish departmentalism and the barriers between different departments and regions, and in the development of lateral economic cooperation. It has an important significance in increasing circulation channels, reducing intermediate links, and providing markets with richer commodities and the masses with top-quality service. As the capital of the country, Beijing is one of the largest markets of the country, which is very attractive to the industry, agriculture, commerce, and service trades throughout the country. This is an exceptional advantage for it to expand lateral cooperation. After granting more decisionmaking power to enterprises, we should support and guide enterprises to carry out various forms and levels of cooperation among the units of different regions, departments, trades, and ownership, including the cooperation between commercial and industrial units, between commercial and agricultural units, and among commercial units themselves, on the basis of the principle of voluntary participation and mutual benefit so as to make the markets of the capital thriving, and to satisfy the people's needs.

The Tianqiao Department Store Limited--the first joint-stock enterprise established in Beijing in 1984--has established purchasing and sales businesses, including distribution, joint sales, and sales on a commission basis, with more than 300 production units, wholesale departments, trade centers and retail enterprises in 22 provinces and cities throughout China. This department store has also established four branch stores, thus achieving not only remarkable economic results [word indistinct] new improvements in service quality. Their experiences are worthy of popularization.

In expanding the decisionmaking power of enterprises, we must combine it with the reform of the enterprise leadership system and enable enterprises to correctly use their power. It is necessary to create conditions and actively promote the manager responsibility system among commercial and service enterprises. Enterprise managers should have full power in production guidance, operation, and management and serve as the core of enterprises. Managers should be the persons with political ideology, professional skills, and competence for operation and management of enterprises. Necessary readjustment should be made for those who are not up to the requirements. The party organizations of enterprises should concentrate their energies on conducting ideological and political work among workers, maker self-improvements, and play a better role in supervising enterprises.

Second, we should continue to adhere to and improve the enterprise operational contract responsibility system.

"The big common pot," and egalitarianism are the crucial reasons for the poor economic results and poor service of enterprises. At present, one of the pressing tasks in the reform of the commercial and service trades is to unswervingly implement the various forms of the operational contract responsibility system among enterprises, integrate each and every economic and service quota with the responsibility and the personal benefits of each and every staff and worker in an effort to further break with the practice of "big common pot" and egalitarianism. Only thus, can we fully mobilize the enthusiasm of the broad masses of staff and workers and more effectively fulfill various tasks of enterprises.

Years of practice show that units which have implemented the operational contract responsibility system well and have widened the differences in distribution have enthusiastic workers, good economic results, and social benefit. Units which have failed to implement the operational contract responsibility system and have practiced egalitarianism in distribution and eaten from the "big common pot" have poor economic results and social benefit and whose staff and workers have become dispirited. During the early periods of last year and this year, some enterprises have met with setbacks in the implementation of the operational responsibility system; the practice of egalitarianism and eating from the "big common pot" has emerged again; and the economic results and service level of enterprises have declined remarkably, which fully show the correctness of this principle. One of the important reasons for the uprising business volume and profits, and the good service attitude of some advanced units, including the Tianqiao shopping center, the Dainmen department store, the Xiheyan vegetable market, and the Dongzhimen vegetable wholesale market, is that they have persisted in unceasingly implementing and improving the operational contract responsibility system.

In implementing this system, we must assign the economic and service quotas to various shifts and individuals at each level so that each and every person will have his own responsibility. The economic responsibility system that integrates responsibilities, rights, and profits should also be implemented. While assessing the work performance of enterprises and deciding on work points and awards, we should pay attention to both the economic results and social benefit. In bonus distribution, we should widen the differences among enterprises, work shifts, and individuals and fully carry out the practice of distributing more to those who work more and less to those who work less, rewarding the diligent and good ones and punishing the lazy and bad ones.

In implementing the operational contract responsibility system, and breaking with the practice of "big common pot" in distribution and of egalitarianism, it is necessary to strengthen management and strictly carry out appraisals. Otherwise, the implementation of the system will become a formalism. We should continue to implement and improve some effective management systems, such as the system of being responsible for good service, the system of having managers work on shifts, the system of promoting the best to leading posts, and standarized service. The Xinxin clothing stores was commended as a pacesetter of the commercial departments for carrying out a standardized management and service system and effectively improving its service level through systematically enhancing the salesmen's sense of discipline, standardizing service procedures, stressing the use of polite language, paying attention to sanitation in showcases, and regularizing measures for providing convenience to the people. We must conscientiously study and popularize their experiences. We must define specific targets and feasible methods for appraising the implementation of the management contracted responsibility system. The enterprises should conduct self-appraisal. Leaders should take the responsibility for appraising the work done by each level. Simultaneously, the social organizations and the vast number of masses also should carry out appraisals. We should try by every possible means to set up consumers' associations as soon as possible so as to bring into better play the functions of the masses for conducting supervision and appraisal.

Strengthening management and strictly making appraisals hinge on whether or not leading cadres are bold in grasping the work. Leaders of all enterprises must persist in principles, justly handle affairs, and not be afraid of offending others. Only when the enterprises have strong leading bodies can they strengthen management work and improve service quality. The enterprises will find it difficult to improve their management and service work and the enthusiasm of most staff members and workers will be dampened if leaders of the enterprises, in particular the principal leading cadres, are afraid of offending others and do not dare to widen the differences in the distribution of bonuses, to award those who should be awarded, or to punish those who should be punished.

Third, we should carry out the policy of encouragement and support the production of small commodities which are daily necessities of the people and the operation of [word indistinct] of service of the people.

So far, the masses have complaints about the capital's service work. First, the service attitude is poor; second, there are fewer measures for providing convenience to the people. While vigorously improving the service attitude and upgrading service quality, we should adopt effective measures for supporting the production of small commodities which are daily necessities of the people and the operation and development of the items in service of the people.

We should further give preferential treatment to the enterprises producing small commodities. Retail and wholesale shops specially for sales of the commodities with small profits should be set up and be allowed to carry out independent accounting. Financial, tax, and banking departments should give preferential treatment to these shops with regard to tax revenue and credits in accordance with the relevant regulations. Commercial enterprises should take measures to arouse the enthusiasm of the staff members and workers for managing small commodities. In order to solve the problems concerning the lack of small commodities, we should give priority in arranging raw materials for the commercial departments and allow them to process commodities with materials provided from abroad. Commercial departments are also allowed to organize wholesale markets for small commodities with a view to importing commodities to Beijing.

Preferential treatment must be given to the flexible processing trades of a labor service nature suffering great difficulties in operation, such as the catering, service repair, and clothing trades, with regard to financial revenue, taxation, and credits. We should appropriately readjust the gross profit rate of cheap dishes and reduce the varieties of the dishes at fixed prices in order to alleviate the difficulties in having dishes. On the premise of carrying out their professional work, the repair trades are allowed to concurrently engage in relevant sideline production in order to alleviate the strains on repair service. Of course, these trades should strengthen self-management, tap their own potentials, reduce expenses, and improve service quality.

Staff members and workers are allowed to jointly or individually lease the small state owned enterprises characterized by labor service or selling commodities with small profits, such as retail commercial, service, repair and breakfast sales centers in remote areas. Of the 22 state-owned bicycle repair centers in Chongwen District, the income of those not carrying out a leasing system was reduced by 30.8 percent in the first 4 months of this year, while those carrying out the leasing system registered a 10-percent increase in their income. Since last December when the staff members and workers began to operate it on a leasing basis, the Guanganmen repair center has eliminated the previous tendency of relying on subsidies and has become vitalized. In the first 4 months of this year its income increased by 30 percent over the same period last year, profits increased by 62 percent, and more than 80 percent of bicycles were repaired in a rapid manner. We should conscientiously sum up the experiences gained by these units. Small state-owned commercial and service trades should continue to facilitate the change of ownership, transfer of management, and the implementation of the leasing system. Collectives and individuals are given free rein to operate the commercial and service trades, in particular, trades characterized by labor service, suitable to collective and individual ownership. All relevant departments should give the green light to these trades. Such practices not only are conducive to enlivening the enterprises but also provide conveniences in the people's livelihood.

Fourth, we should strengthen the macroeconomic regulation of commercial and service trades and the management of commodity circulation in markets.

Following the deepening of the economic structural reform, the government's congrol over the macroeconomy will change gradually from dominantly direct control into dominantly indirect control. Departments in charge of commercial and service trades should change their administration over affiliated enterprises into administration over the entire trade, and change their direct intervention in the operation of enterprises into plans and policy formulation, service and supervision for the entire trade. Departments in charge of comprehensive economic work should support and work in coordination with the reform of commercial and service trades, and properly use the means of credit, tax and financial resources to ensure the smooth progress of reform and the normal process of business.

Departments in charge of commercial and service trades should closely coordinate with industrial and commercial administration, price, finance, tax and public security departments to strengthen market management. Unhealthy trends, such as jacking up prices, giving short weight, selling fake or inferior products, forcible tie-in-sales, and using goods for selfish gains should be dealt with whenever discovered. Effective measures should be adopted to strengthen control over markets of farm produce and peddlers, replenish the organizations of the self-employed associations, support legal business, and ban unlicensed peddlers. Wholesale and retail enterprises must not provide goods to unlicensed peddlers, otherwise they will be strictly handled once discovered. Resolute blows should be dealt to lawless persons who practice fraud, forcible purchases and marketing, and ominate markets through cheating. We should adapt ourselves to the new situation of reform and opening to the outside world, perfect commercial and market regulations step by step, and enforce the law strictly to protect lawful business and ensure market order.

Strengthening the construction of commercial and service facilities is also a strategic task. We should pool the efforts of the state, the collective and the individual and encourage counties and various trades to set up more commercial and service units. The distribution of these units should be properly readjusted to satisfy the needs in the people's lives. All departments in charge of comprehensive economic work should support these units and give them preferential treatment in terms of planning, space, construction, funds, goods supply and taxation. In the construction of small residential areas, the funds to be used in building commercial and service units and the already completed facilities must not be used for other purposes. We should strive to provide necessary material conditions for expanding and [words indistinct].

The power of the municipality, districts, and counties for the administration of commercial and service trades should be appropriately adjusted to change the over centralization of power on the municipality. The municipal CPC committee and government have decided to change the system of dual leadership of the municipality and districts (counties) over commercial and service trades with the municipality and districts (counties) with the districts (counties) as the main to that districts and counties will shoulder more responsibilities for invigorating circulation, improving service and strengthening market management, and will give more play to their initiative and enthusiasm. The experiment with the reform of the management of commercial and service trades in Chongwen District and Shunyi County should be carried out successfully, and all fields should render great support to it. Other districts and counties, and relevant departments of the municipality should also work out plans to conduct the reform step by step.

The reform of the commercial system is an important part of the economic structural reform as a whole, and also a decisive factor for improving service attitude and quality. It involves the relations of various quarters, such as those between circulation and production units, between circulation and consumption units, between commercial departments and comprehensive economic departments, and among commercial units and service units themselves. These crisscross relations restrict and affect one another, and are very complicated. Reform is a process of changing the old system into a new one, and of continuously exploring and creating the new, for which there is no ready-made experiences or patterns to follow. It is unavoidable to have some problems or mistakes when carrying out reform. Some of the detours that have appeared in the reform of the commercial and service trades over the past few years were due to the readjustment of policies, and others were due to our lack of leadership experiences and meticulous work. The problems cropping up in reform should be solved through in-depth reform. Leaders at all levels should study, support, and promote reform, give careful guidance, and guarantee its smooth progress. By no means should they be dispirited or give up on reform when running into difficulties and setbacks. As long as we enhance our spirit, dare to explore, and firmly carry out reform, we will surely raise the capital's commercial and service work to a new level.

4. Exert vigorous efforts to improve the political and professional quality of service workers.

Commercial and service industries are highly socialized industries. The broad masses of staff and workers have dealings with a great variety of commodities and have to meet with various types of consumers with different demands and characteristics. In addition to mastering the regulations and laws for commodity purchase and sales amid the changeable market competitions, they should also correctly handle human relationships in line with socialist principles. The new situation of opening to the outside world, invigorating the economy, and developing the commodity economy in particular has set forth new and higher demands on the service workers. In order to do a good job in the capital's service work, it is necessary to vigorously strengthen the ideological and professional education for workers and gradually establish a mighty contingent of service workers with ideals, morality, education and a sense of discipline.

First, we should ddeply conduct education on ideals, morality and discipline and continue to improve the ideological awareness of the broad masses of workers.

In socialist enterprises, we should not only pay attention to the management of materials but also to the human factor, and should fully arouse the workers' sense of being masters of the state and their subjective initiative. Years of practice shows that it is impossible to fully and persistently mobilize the enthusiasm of the people by using the economic means of bonuses and welfare only, for this will foster an egotistic ideology among some people, thus leading to ideological and organizational laxity on the part of the workers' contingent. Through conducting effective, lively and purposeful ideological and political work, we should lead the people in fostering lofty communist ideals, the ideology of wholeheartedly serving the people, and a sense of professional ethics. The broad masses of workers in the service trade sector serve as a bridge between the party and government on the one hand and the people on the other. The party policies and the concern of the party for the masses usuelly find expression in the purchases, sales and the action of the service workers. The performance of service workers integrates with the entire socialist cause and is closely related with the building of the two civilizations. The acts of being cold, rigid, and impolite to customers and of shifting the responsibility onto others harm the benefit of the socialist cause and run counter to the purpose of serving the people wholeheartedly. The unhealthy trends in the service trade such as selling products at an unreasonable price, palming off shoddy goods as good ones, selling inferior and fake products, engaging in tie-in selling, giving preferential treatment to relations and friends, and judging people slely by their appearance run counter to the professional ethics of the commercial sector and are incompatible with communist moral standards. The acts of discriminating against outsiders in particular are indications of our neglect of our bounden duties, affecting the prestige of the capital. The slogan put forward by the commercial and service trades, "I represent the capital and China in front of foreign guests," fully manifests the lofty ideology of combining the practice of doing one's work well, bearing in mind the whole situation and rendering good service with the interests of the party and the state and with the socialist cause. Comrade Zhang Binggui, a national model worker and a salesman of the Beijing municipal Department Store, has been working diligently for several scores of years. He has persisted in doing business in a civilized manner, treating customers politely, and making customers feel happy and warm while buying products and getting a satisfied reply. His lofty character and hard work have won honor and fostered an example for the staff and workers in the Beijing's service trade. We should emulate him and promote his spirit, enhance our sense of honor and responsibility, and take the initiative in serving the customers and the people enthusiastically, patiently, and considerately.

In conducting education on ideals and discipline, the most persuasive is the exemplary role of party members and cadres. Party members and cadres should carry things out first and act as examples before they ask the masses to do them. The party branch of the No 35 bus team of the No 5 bus plant of the municipality asked party members to meet the following five requirements: 1) accomplishing contracted tasks safely and in high quality ahead of others; 2) performing difficult and arduous work ahead of others; 3) suffering losses ahead of others; 4) fulfilling obligations ahead of others; and 5) carrying out ideological and political work ahead of others. The exemplary acts of party members and cadres have favorably influenced and educated the people of the bus team, and all the staff members and workers of the team have become able to show concern for its operation and serve passengers warmly. The cadres of the Baiguanglu shopping center set themselves as examples and persistently went to the shopping center three times a day in the morning to inspect the preparations for business, at noon to help in serving customers when salesclerks were taking lunch in turn, and before the shopping center closed to send off the last customer and conduct safety checkups. With the guidance of the cadres, this shopping center has basically eliminated the phenomena of chatting in groups and neglecting customers. Since 1981 it has been appraised as a six-good enterprise every year successively, and was named as "pacesetter of civilized units" by the municipal CPC committee and government. The experiences of these advanced units proved that in conducting the education on ideals and discipline, as long as cadres and party members earnestly practice what they advocate, the education will be successful, and they will be able to lead the masses of people to do a good job in business and service.

We should combine our efforts to intensify education with those to make management and discipline strict. Comrade Deng Xiaoping pointed out: "In such a big country as ours, how can we unite and organize the people? We should, first, rely on ideals and, second, rely on discipline." We should also rely on these two to carry out successful service work in the capital. At present lax discipline at some enterprises and among some staff members and workers is an important reason for a poor service manner and the dissatisfaction of the masses. Lax discipline will lead to lax ideology, and poor business and service work. The more everything is modernized, the stricter discipline we should have. We must combine ideological education with enforcement of discipline. People who violate discipline to the great dissatisfaction of the masses, and refuse to mend their ways despite repeated education should be strictly dealt with, and those who should be dismissed should be.

Second, we should intensify the technical and vocational training of staff members and workers and enhance their competence.

The service level is the overall reflection of the ideological awareness, moral character, educational standard, and professional competence of staff members and workers. To provide top-quality service to the masses, we should greatly raise the political awareness of staff members and workers, and also improve their education, techniques, and professional competence. Only when service personnel have a good grasp of basic skills, are good at understanding the customers' psychology, and learn to use polite language can they score outstanding achievements in service work. A very important factor contributing to the good service of the Tianqiao shopping center is its attaching importance to the vocational and technical training of its staff members and workers. Under the circumstances that the whole shopping center was moved to a new place and new staff members and workers increased by a great number, it still maintained a fairly high level of service work, and in last year alone it received more than 6,000 letters of praise.

Over the past few years a great number of green hands have sent to work in the frontline of commercial and service trades without prior training. This is one of the important reasons for the many mistakes and poor quality of service. This problem should be redressed through training which is geared to the needs of specific posts. This year we will sponsor rotational training for more than 10,000 managers of retail departments and shops, in particular those under 45 years of age who have no previous training. In the future, we should gradually apply the system under which those without previous training will not be permitted to serve as managers. Units to be leased or contracted out should also train cadres before they do so. We should strictly carry out the system of "training new staff members and workers before letting them work." Responsible departments and working units should conduct training on professional skills for new staff members and workers, and make appraisals of their abilities before letting them work. The staff members and workers who do not accept training and appraisal tests or fail to pass the appraisal tests should not be allowed to work.

Third, we should hold mass discussions on service work in order to create a fine social environment for offering good service.

Achieving the cpaital's service work is a great matter of the people of the whole municipality as well as a bounden duty of all trades and professions. Thus, the people throughout the municipality should care for and support the work and suggest ways and means for achieving the work.

Commerce and service trades are key fronts for conducting socialist construction. Service work is a cause of honorable and heroic significance. Labor service must be esteemed by society, since there is only a division of labor but no such an idea as one service trade being superior to another under the socialist system. People in all fields should respect the staff members and workers of the service trades, understand their hardship, support their work, and work together with them to improve the service work. The staff members and workers of service trades who do not respect and even beat and curse consumers should be criticized, educated, and strictly dealt with. Simultaneously, consumers who do not respect and even beat and curse the staff members and workers of the service trades should be criticized, educated, and strictly dealt with.

We should concentrate a period of time within this year on holding great discussions on service work in order to mobilize the forces in all fields to improve the capital's service work. Our aim to hold the great discussions on service work is to upgrade the people's understanding of service work, to get rid of the old ideas of despising commerce and the service trades, and to create a fine social environment of respecting and grasping service work. The great discussions will be aimed at arousing the enthusiasm of the staff members and workers of the service trades and the people of the municipality and improving overall social practices. So the press, radio, television, literary and art departments should enthusiastically engage themselves in the great discussion activities and organize forces and give guidances to achieve the activities. We should widely disseminate the important significance of service work; vigorously commend advanced units and model figures; and enthusiastically advocate the moral practices of respecting, understanding, supporting and serving each other in order to enable the people throughout the municipality to consciously offer good service to others.

5. We should conscientiously strengthen out leadership over service work.

The key to realizing quality service lies in leadership. The party and governments at all levels throughout the municipality, in particular the municipal CPC committee and the municipal government, should regard the improvement of service attitude and service quality as a routine work, place it on their agenda, and firmly grasp the work of the next lower level. The party committees and governments at the district and country level and all bureaus, cooperatives and companies should bring into play their functions for providing good service since commercial and service trades are deconcentrated and find it difficult to suit the demands of the people from different localities.

Leaders of all units should do more solid deeds on a responsibility basis in order to solve practical problems one after another. Simultaneously, they are not allowed to work out principles and plans, to issue orders, to talk about principles, or to utter empty talk instead of doing concrete deeds. From now on we should regard whether or not the units and cadres achieve service work as an important criterion for assessing their work and judging their abilities. Both higher and lower levels should regard the service work as an important content in making mutual appraisals and examinations. The units and departments that fail to achieve their service work for a long period of time should be punished in accordance with economic laws, and the leaders of these units and departments should be called to account. It is necessary to readjust the leading bodies of these units and departments.

The focus of strengthening leadership over service work should be on grasping the grassroots and the front line well. The party's line, principles and policies should be implemented in the grassroots units. Likewise, the service attitude and level should also be manifested in the grassroots units. We should exert strenuous efforts to grasp the building of leading bodies of the grassroots outlets and conscientiously select some comrades with a high sense of policies, professional experience, a good knowledge of operations and management, and an honest and upright style of work to serve as managers. We should implement the target control system among the responsible persons of work shifts and groups in the grassroots outlets and establish a related assessment system. The managers who cannot attain the set work targets within the fixed time should not remain in their posts. It is necessary to recruit party members from the front line in an active and planned manner, and to expand the backbone forces of the grassroots level. At present, about 40 percent of the grassroots outlets in the commercial and service sectors throughout the municipality do not have party members. This situation is unfavorable for improving service work; therefore, it must be changed gradually. We should fully display the role of grassroots trade unions and CYL organizations and that of the workers' congresses, and should strengthen enterprises' democratic management.

One of the major duties of leaders is to care for the livelihood of workers, and strive to improve their living and working conditions. The commercial and service workers have to undertake strenuous labor. Their working conditions are poor and there are many difficulties in their livelihood. Many commercial outlets are old and shabby and out of repair, and some even do not have business buildings. The problems of workers concerning a shortage in housing, catering units, public bathrooms, and nurseries are still very acute. In the past, we failed to show full concern, to thoroughly study, and to solve in a timely manner these problems existing in the work and livelihood of the commercial and service workers. Such a situation must be changed realistically. The leading comrades of some advanced units in the service sector put it well that leadership means service. In order to enable workers to render quality service to customers, leaders must also offer quality service to workers. Leading organs should improve their style of work, overcome bureaucratism, and serve the grassroots levels and the masses. In order to solve the housing problems of the service workers, the municipal government has decided to distribute some dormitories to the commercial and service workers on the front line this year. Such a task will be carried out by the authorities of various districts. We should also organize the relevant departments to study a method concerning funds, land, construction, and management so as to gradually solve the housing problems of workers. Leaders of all units should support and pay close attention to the establishment of some small catering units, recreation rooms, nurseries, small shower rooms, and change rooms that brings conveience to the daily lives of workers. Of course, many problems of workers cannot be solved at one swoop. All problems which can be solved must be solved firmly. We should try our utmost to create conditions to solve those problems which cannot be solved for the time being. As for those problems which we are unable to solve, we should give a clear explanation to workers and do ideological work well.

The above-mentioned problems are mainly directed against the commercial and service trades. The basic guidelines are also applicable to the tourist, communications, post and telecommunications, medical and public health, urban public utilities service industries, as well as all other service trades. Leaders of these departments and units should proceed their work from the specific conditions and units should proceed their work from the specific conditions in their own units together with the broad masses of workers, study measures for improving service, formulate feasible plans and implement them conscientiously.

At present, the situation in all fields is good, thus laying a good foundation and providing favorable conditions for improving our service work. We are convinced that under the direct concern of the CPC Central Committee, and with the supervision, help, and support of the broad masses of workers from all fields throughout China, we will surely raise the capital's service work to a new level and will create a new situation as long as the broad masses of cadres and the people in the municpality enhance their understanding, unify their thinking, meet the high standards and rigorous requirements, pools the wisdom and efforts of all, and work with concerted efforts.

/6662
CSO: 4006/1193

ECONOMIC MANAGEMENT

JAPANESE-STYLE MANAGEMENT IN CHINA DISCUSSED

Beijing JINGJI YU GUANLI YANJIU [RESEARCH ON ECONOMICS AND MANAGEMENT] in Chinese 30 Jan 86 pp 25-28

[Article by Lu Zhequan [0712 2124 2938]: "'Japanese-Style Business Administration' in China"]

[Text] The state's policy of the open door has led to the incorporation of China's economy into the greater global system. After recovering from the painful shock upon the discovery of China's backwardness obtained via a comparison of economic development at home and abroad, a rational analysis of the reasons for this backwardness reveals that technological backwardness is not the only cause, and that backward management is even more of a reason. Despite many instances of success in the theory and practice of enterprise management in China over 30-odd years, the overall level of business administration here lags approximately 20 years or so behind the developed nations. Our shocking lack of efficiency and quality has jolted us awake.

What is the Chinese model of business management? What results and significance has the practice of Japanese-style business administration had in China? With these questions in mind, the author visited such Chinese-Japanese joint ventures as the Furi Television Co. Ltd., the Shekou Sanyo Factory and the China Dazhong Pharmaceuticals Co. Ltd., and other enterprises. After giving the matter much inquiring thought during the visits, I organized what I learned into this article for thinking people to persue.

I. Necessity and Possibility

"Japanese-style business management" was the result of the organic integration by postwar Japanese enterprises of Japanese national culture and traditional experience with European and American advanced management practices. It revolves around the basic model of common destiny, relies on group centrism as its ideology, lifelong employment for workers, seniority, and enterprise unions for support, stresses the human element and the energetic assimilation of advanced Western means and methods of management to produce a high level of efficiency and flexibility known throughout the world. Along with Japan's economic successes that became the focus of world attention after the 1970's, Japanese business management practices have won the increasingly growing attention of international academic and business communities. A large volume of research on and practice of the Japanese experience has been conducted in Europe and America, and even in the Soviet Union and Eastern Europe.

China's economic takeoff involves not only problems concerning the modernization of technology and equipment. Even more important is the modernization of management. If we wish to modernize our business management practices, the energetic study and borrowing of some Japanese management practices is absolutely necessary. This is because:

A. Japanese-style business administration combines the best of modern management theory and practice to create a highly effective and streamlined management model. The Japanese learned modern management from its source in Europe and the United States and improved upon it to create a new model that has won worldwide acknowledgement and endless praise for its advanced scientific state and efficiency. By studying and learning from the Japanese experience, we can open the door to the study of advanced Western management and master theoriec and methods of modern industrial production and marketing.

B. The study of the formation and maturation of Japanese business management is also useful to us from the reference point of view. The current level of China's enterprise management is generally equivalent to that of Japan from the mid-50's to the 1960's. At that time Japan had just been through a period of recovery and reorganization, and had begun to enter into the stage of "Japanese-style management" in the modern sense. Therefore, seeing as Chinese enterprises have gone through several years of reorganization resulting in marketly improved management techniques today, our learning from the special characteristics of the formation and experiences of Japanese-style management via its practice in China in order to discover the proper route for a Chinese style of business management would be completely necessary and timely.

C. Japanese management practices not only supported the development of Japanese enterprises during the country's period of rapid economic development, but are also playing a unique, all-encompassing, highly flexible role during the new technological revolution in progress today. Faced with the challenge of the new technological revolution, if Chinese enterprises cannot devise a management system adapted to it, they will not be able to master high flying, modern productive forces. The practice of Japanese-style management in China has given us opportunities and conditions to study and learn from the experiences of Japanese enterprise management. This is a shortcut and nothing more.

At the same time, the practical possibilities involved in studying and learning from Japanese-style management can be seen. One possibility is: Management is a special kind of knowledge and culture, on one hand, having the social function and property of dealing with productive relations between people, on the other hand, serving to rationally organize the productive forces formed from the common labor process. Therefore, management is a special kind of culture that has no national or class characteristics, that has no national boundaries, and is determined only by the level of productive forces. Therefore, in Japanese management, it is quite feasible to filter out management methods and principles suited to modern production. The second possibility is: Both China and Japan partake of Oriental culture, share a long history of cultural exchange and have many cultural traditions, ideologies, customs, and habits in common. Many of Japan's management techniques were originally learned from China and applied to Japan. The Japanese emphasize the study of Chinese classics such as "Sunzi Bingfa," "The Analects of Confucius," "Shiji" and others to learn the essentials of management technique and apply them to enterprise management. Mr Makoto Murayama, employed as an expert for the Japanese edition of RENMIN ZHONGGUO [PEOPLES' CHINA], has said, "The key to Japanese-style management is its ability to 'stimulate,' and much of that originates in classical Chinese thinking." Even after the war, Japanese enterprises paid close attention to the management experiences of socialist China, such as the "two participations, one change and three combinations," democratic management and so on, and organically integrated them with Japanese management. Therefore, it is completely within reason to claim that the study of the successful management practices of developed nations would be a better shortcut compared to conducting an inquiry on our own, and that Chinese enterprises would more easily absorb, assimilate, and improve Japanese techniques of business administration rather than those of Europe and the United States.

II. Channels and Levels

Studying and learning from Japanese business management was first proposed as early as the 3d Plenum of the 11th CPC Central Committee. At the time, in the report of the industrial enterprise management delegation to Japan organized by the State Economic Commission, it was observed that Japanese management practices contained many scientific things worthy of learning which we should conscientiously study and research. Along with the deepening of the reform and the expansion of the open door policy, Japanese management techniques have been implemented in China via different channels and at various levels.

The first channel is that of academic research. Many scholars and researchers have begun to study the characteristics of Japanese business management, and the avenues and methods via which the Japanese have implemented modern management, have introduced Japanese theories and methods of enterprise management, and edited reports of delegations to Japan in order to provide reference information to our enterprises. They have primarily introduced and done research on the Japanese enterprise management magazines, "Modern Japanese Economics" and "Foreign Economic Management," the book "An Introduction to Japanese Enterprise Management," and the translation of "The ZQ Theory," "The Art of Japanese Enterprise Management," etc.

The second channel is that of test trials and practice. Through study and inviting Japanese experts to provide guidance in Chinese enterprises, some Japanese management techniques have begun to be used within China's enterprise system, such as comprehensive quality control, value engineering, faultless planning, and enterprise diagnosis, all of which have achieved fairly good results. In some cases this has involved the systematic reform of Chinese enterprises based on the knowledge gained from the study of Japanese business management. For example, upon seeing its weakness after a tour of large Japanese automobile enterprises, our "No 1 Automobile Factory" began to experiment with new ideologies, organization, and methods of management. In some cases individual methods of enterprise management were studied, such as "No 2 Automobile Factory's" importation of comprehensive quality-control techniques, and the organization and popularization of quality control groups. In other cases, a Chinese enterprise selected one Japanese enterprise for comparative analysis and emulation, such as the Lanzhou Automobile Factory's study of the Honda Automobile Company's management, through which the Chinese enterprise was able to discover and overcome its weaknesses while making full use of its strong points, entering onto a new path of modernization in enterprise management. In yet other cases, systematic importation, study, improvement, and popularization was conducted of widespread management practices. For example, many Japanese experts were invited to lecture on enterprise diagnosis, which was followed by the creation of test sites within Chinese enterprises, and finally, by widespread application nationwide. Most of these channels involved the importation, study and emulation of widely applicable Japanese management methods which were fairly easily learned and obtained rapid results.

The third channel entails the creation of Chinese-Japanese joint ventures, and the systematic application of Japanese business management in China. This results in the large-scale alteration of the organization form and management methods of Chinese enterprises and is quite thorough. By 1984, 57 Chinese-Japanese joint ventures had begun production and signed contracts. Each enterprise is striving to integrate Japanese management methods with China's reality, to discover a new route for the modernization of enterprise management. The management chacteristics of the most typical joint ventures can be summarized as follows:

1. The China Nantong Liwang Co. Ltd.

This joint venture entered upon by Japan's KAO Co. Inc., the Nantong City Light Industry Bureau, and the China International Trust and Investment Co. began formal operations in February 1983. Its characteristics in management are: a) "Streamlined management, full workloads." There are few management personnel; they account for only 4.84 percent of the total staff. There are fewer administrative levels with the implementation of the factory and production team management system. Management personnel all have several responsibilities and full workloads. The main office conducts most business and meetings are few. General study and activities are arranged for outside of working hours. b) Efficient, automated, scientific management methods. The KAO Co. has adopted many automated office tools such as data-processing minicomputers, electronic attendance-keeping machines and closed-circuit television in order to increase work efficiency. c) Methods to stimulate staff, such as "high rewards to industry and quality and heavy fines for sloth and poor quality." The KAO Co. has a strict set of factory regulations and discipline. All violators are punished according to the seriousness of their violations. The staff is rewarded for working hard at production and caring for the company, and encouraged to make frequent suggestions concerning work rationalization.

2. The Furi Television Co. Ltd.

This company was formed by two companies from Fujian Province and three Japanese enterprises, and went into production in June, 1981. Its management characteristics are: In management organization, the application of the basic principle of the unity of responsibility and authority, entailing strict observance of organizational setup and a small, streamlined management force. Each cadre has both authority and responsibility. Authority is centralized, administrative levels are few, and management personnel uniformly apply the organizational principle of unitary leadership and "one man, many jobs; one post, many functions." A system of personal management responsibility has been created with a strict division of labor and clear delineation of responsibilities. In the system of cadre management, the principle of "choosing the superior and able" has been implemented. Supervisory staff has the authority to test, promote, recall, and reward their subordinates. Cadres are selected according to their work ability, daily performance, and test results. Regarding management methods, advanced means and methods are energetically promoted. In the realm of rewards and punishments, "large bonuses and strict punishments" are used. The company has a strict set of factory regulations and discipline which everyone must follow closely. There are no limits set on the size of bonuses and fines may be meted out to anyone, regardless of position. The creation of company uniforms, a company logo and song, and concern shown for the workers' lives has increased their sense of belonging to and pride in the company.

3. The Shekou Sanyo Factory

The name of this factory, located in Shekou, refers to one plant that is totally owned by Japan's Sanyo Electrical Machinery Co. Inc. and two others that are joint ventures. Production began in October, 1983. Management of the factory shows the following characteristics: a) The integration of the rectilinear and function systems, clearly delineated administrative levels, ranks, authority, and responsibility, the use of one large space for office work; b) the focus of management is on the grassroots production line, which is directly observed by the general manager via closed circuit television; each work group reports major economic norms directly to the general manager's office, and the scientific management departments are all linked up with the assembly line; c) the integration of behavioral studies and ideological education. There is not only a strict set of plant regulations and discipline, but attention is paid to improving the workers' living environment and working conditions as well, in order to develop a feeling for the group and a sense of honor among the employees. A system of eliciting suggestions from the staff has been set up, and the masses are relied upon in management.

In short, Chinese-Japanese joint enterprises are streamlined and efficient in organizational structure and use advanced scientific methods of management that are both liberal and strict.

These three channels represent three different levels of Japanese business management as practiced in China, and are being gradually promoted from the lowest to highest level. The three channels affect and interface with each other, while transition is made and emulation occurs among the three levels. Academic research has provided guidance in theory and in introducing new forms for the direct practice of Japanese-style management, while practice has provided first-hand information and research topics for academic research. Study tours can lead to the creation of joint venture enterprises, which, in turn, provide direct models for other enterprises in their study of Japanese business management. These three channels and levels have led to a three-dimensional intersection among different industries and enterprises in their study of Japanese business administration and to the creation of a symphony of study, emulation, improving and innovation of Japanese management techniques.

III. Results and Their Significance

For China to study and learn from Japanese management practices is a transformation in Chinese business administration. Even if the change is not sufficient to change the whole picture, it has already had a fairly great effect on enterprise management in China and has achieved certain good results.

First, it has infused our enterprises with modern management ideology, organization, and methods, and popularized knowledge of modern management. In studying Japanese management practices, Chinese enterprises have integrated China's national conditions with the realities of Japanese enterprises, absorbing, to various degrees, their advanced, scientific strongpoints and mastering concepts of time, efficiency and marketing as relates to modern business management. While creating rational, highly effective management organizational structure, new probing research is being done utilizing advanced scientific methods of management.

Second, enterprise quality has been enhanced and productivity raised. After studying, learning from or systematically adopting Japanese methods of management, many Chinese enterprises were strengthened, and remarkable results were achieved in labor productivity, product quality, new product development and adaptability. These results can be seen in large enterprises such as the "No 1 Automobile Factory" and the Tianjin Xingang Shipyard, and in middle-sized enterprises, such as the Changzhou Battery Factory and the Jilin City No 4 Chemical Plant. It can also be witnessed in the total adoption of Japanese style management by joint ventures such as the Furi Co. and the Dazhong Co., and in the importation of individual management techniques and the partial adoption of Japanese practices by enterprises such as the "No 2 Automobile Factory," and the five Wuxi radio factories.

Third, it has spurred on the reform of business management in other enterprises, bringing about definite social and economic benefits. For example, the Furi Co. conducted an overall diagnosis and reorganization of the Fuzhou Construction Plastic Plant based on its [Furi's] own management methods, and in only 3 months, turned deficits into profits. The plant's product quality now has attained advanced international standards. In 1984, remarkable results were achieved in 24 enterprises by Fuzhou City's promotion of Furi's management practices, which were introduced to 100 enterprises in 1985.

The practice of Japanese-style management in China has not only won gratifying results, but has also been quite significant in the search for a Chinese style of modern business administration.

First, a convincing answer has been provided regarding the question of how to view advanced Western management methods. In theory, we have already acquired a clear understanding of this based on Marx's theory of duality, but in practice, we have had quite a few worries, and have refused to or limited study on the pretext of lack of suitability to national conditions. The practice of Japanese management in China has shown that our past inability to become accustomed to advanced Western management methods and habit of smelling exploitation and cruelty at the drop of a hat was usually due to our failure for years to implement strict scientific management, which led to inertia and irresponsibility. This is something that should be ruthlessly negated. Of course, we are not negating comradely socialist personal relations, but are saying that strict management, clear rewards and punishments, and the unity of responsibility and authority are internal managements needs necessitated by modern production, and should be forthrightly publicized and advocated.

Second, effective experiences and methods on how to borrow advanced management techniques from the West have been provided. In the actual course of studying and learning from Japanese management, we have, via stages involving understanding and study, research and sifting what is valuable, experimenting and discriminating, reviewing and popularizing, and innovating and development, developed the principle of "the Chinese experience as primary, borrowing widely from all sources, refining and extracting our own single system." This is equally applicable to studying and learning from advanced management experiences of other countries. All enterprises that were successful in studying and learning from Japan integrated their experiences in this with China's national conditions and enterprise special characteristics while importing Japanese management techniques, and conducted the appropriate reforms and overall readjustments, making contributions to management in China.

Finally, the practice of Japanese style business management in China has been very significant in the creation of a Chinese style of management. Of primary importance have been the positive experiments in the Sinification and nationalization of successful Western business management techniques. Secondarily, it has lead to the raising of the question of how to treat traditional Chinese culture and management experiences. While observing, in the course of studying and learning from Japanese management techniques, the clear national bias of the Chinese people against modern management, we have also witnessed their broadmindedness and ability to absorb. Many pearls of wisdom regarding modern management ideology are to be found within traditional Chinese culture. There is much deserving of review, improvement, and popularization in Chinese management practices already in existence. Finally, practice has shown that a Chinese style of management can only be realized with the coordination of internal enterprise mechanisms and the greater environment of the social system. Internally, this requires a systematic integration on the conceptual, organizational, and methodological levels; externally, coordination between macroeconomic control, state policy, and the international environment is necessary, and of all this must form an integrated synthesis with the morality, habits, values, and cultural traditions of the Chinese nation.

The practice of Japanese-style business management in China is just now unfolding. If we need its function and understand its significance, in the near future a new route for the modernization of Chinese enterprise management will surely be found, and a modernized, Chinese style of business management with Chinese characteristics will be created.

12221/12851
CSO: 4006/986

PRICE INSPECTION GUIDELINES ISSUED IN ANHUI

Hefei ANHUI RIBAO in Chinese 23 Feb 86 p 1

[Article: "Our Province Issues Provisional Guidelines for the Supervision and Inspection of Commodity Prices; Improve Management Over Commodity Prices, Enforce Commodity Price Discipline"]

[Text] The provincial government recently announced the promulgation and trial implementation in late January of the "Anhui Province Provisional Guidelines for the Supervision and Inspection of Commodity Prices."

The announcement stated that the purpose of the "Provisional Guidelines" was to improve management over commodity prices, enforce discipline in commodity prices and to protect the interests of the state, producers, managers and consumers. The scope of the regulations include: limits of power of the state over commodity price management and principles, methods and means of execution; purchasing, allocation and transfer, ex-factory, wholesale, retail and other key prices set by the state for industrial and agricultural products; guideline prices for industrial and agricultural commodities; price hikes for products produced in excess of the quota, high-quality products, products bought and sold via negotiation, and final prices for materials sold in trading centers set by enterprises; fees for medical treatment, posts and telecommunications, cultural activities, education, transportation, hydroelectricity, housing rental, hotels (including hostels and guest houses), etc.; prices for food and drink industries. Departments, units, and individuals meeting the following requirements were held up for praise and awarded prizes: maintained a complete commodity price organization and system of regulations; showed marked success in managing commodity prices; won the praise of the vast ranks of the masses; followed price discipline to the letter, made outstanding contributions; engaged actively in propaganda work on commodity price policy and discipline with good results; dedicated to one's work, made important contributions in inspecting cases of violation of discipline; energetically exposed action in violation of commodity price discipline; dared to stick one's neck out to protect and defend commodity price inspectors under attack or persecution. Commodity price supervisory organs, industrial and commercial dedpartments or other professional supervisory departments shall mete out criticism and education, administrative action or economic sanctions according to the "Provisional Regulations on the Exercise of Economic Sanctions for Violations of Commodity Price Discipline." Cases involving violation of the law shall be referred to judicial organs to determine criminal responsibility. 1. Exceeding the limits of one's authority to set or adjust prices and infringing upon the interests of the state, collective and consumer. 2. Engaging in speculation, changing fixed prices to negotiated prices and raising prices in a disguised way for a profit. 3. Raising ex-factory and allocation and transfer prices set by the state without permission or reducing the rate of differential between allocation, wholesale and retail, or wholesale goods using state-set retail prices. 4. Refusal to send copies of documents relating to setting and adjusting prices to commodity price inspection agencies. 5. Failure to implement or to possess a complete system of marked prices. 6. Protecting and encouraging action in violation of commodity price discipline. 7. Failure to cooperate or interfering with supervisory and inspection work over commodity prices. 8. Attacking and seeking revenge against persons who expose violations and commodity price inspection personnel. 9. Price inspection personnel who neglect their duties and practice favoritism. There are three categories of those whose conduct violates price discipline. Enterprise units or individualized industrial/commercial households that receive illegal income or cause the nation losses of 1,000 yuan or less are considered guilty of a general violation. Causing losses of 1,000 to 10,000 yuan constitutes a general case of violation. Causing losses of over 10,000 yuan is considered very serious and constitutes a major economic crime. Such cases will be investigated according to the law by the judiciary organs. All funds that have been received illegally will be confiscated, no matter what the nature of the case. All that can be given back to the consumers must be returned. Those who are unable to return what they have illegally procured will have the amount in question exacted from them.

12221/12795
CSO: 4006/898

ECONOMIC MANAGEMENT

LIAONING'S ECONOMIC SITUATION ANALYZED

Shenyang LIAONING RIBAO in Chinese 6 Feb 86 p 1

[Article: "Improve Macroeconomic Control, Continue To Enliven Enterprises, Ensure Necessary Growth Rate for Industrial Production; Provincial Government Convenes Conference on Economic Work To Study and Analyze Liaoning's Economic Situation"]

[Text] We must do a good job in improving macroeconomic control, continue to enliven large and medium-sized enterprises and further implement the series of policies and resolutions of the State Council and provincial government regarding the expansion of enterprise autonomy. A sustained, stable, coordinated rate of development must be maintained for industrial production. These are the demands raised by Vice Governor Bai Lichen [4101 4539 1820] in his summation address to the Provincial Conference on Economic Work held by the provincial government.

During the conference which was held in Shenyang from 31 January to 4 February, typical cases and experiences of enterprise enlivenment in the province were reviewed and exchanged. The problem of how to handle ideological and political work relating to enterprise staff was studied and 23 "six good enterprises" and 52 "six good advanced enterprises" were held up for praise.

After reviewing and analyzing the good results of the province's economic work last year, Vice Governor Bai Lichen emphasized five problems that must be dealt with in this year's economic work.

—Continue to give first priority to the overall economic reform and concentrate on several key points: 1. Continue to enliven enterprises, in particular, large and medium-sized enterprises. We must thoroughly implement the series of policies and regulations of the State Council and provincial government on expanding enterprise autonomy. No department or unit may try to block or intervene in any autonomy already granted the enterprises over production. 2. Macroeconomic control must be properly augmented to attain the goal of orderly but lively management. We must change our one-sided ways of implementing funding control, exploit all resources of capital, improve returns on credit, and accelerate the rate of return from investment. 3. We must truly tackle the problem of enterprise management. The issues enterprises are faced with at present require them to take a good look at themselves, improve their quality and gradually strive to shift from traditional management methods to modern, scientific ones. 4. We must make great efforts to develop horizontal economic relations. Develop multichannel, multilevel, multiform horizontal and vertical economic contacts and study and resolve new situations and problems that emerge from the contacts.

--Sustained, coordinated, stable development must be maintained for industrial production. Excessively high speeds are admittedly unacceptable, but so are low speeds. Under the premise of increasing economic returns, the growth rate of industrial production in the province must be maintained at at least 8 percent, and great efforts should be made to enable it to reach 10 percent.

--The pace of technological innovation must be stepped up. The smallest possible amount of foreign exchange must be used to import key equipment, technology, management techniques, and personnel.

--Foreign exchange earned via export must be raised to new heights. Machinery and electrical products account for a large proportion of products in Liaoning, and export possibilities are great. These products must be transformed as rapidly as possible into major export products for the province. We must do a good job in the construction of the first 10 export commodity bases created by the provincial government and the 100 industrial export product plants and mines and implement the policy giving preferential treatment for export products.

--We must seriously strengthen ideological and political work. Office and bureau chiefs, factory directors, managers, section heads, and workshops chiefs must all do ideological and political work as must political cadres, to create a new situation in which workers and youth in both party and government all participate.

Chen Suzhi [7115 4790 5347], provincial CPC committee secretary, delivered a concluding address to the conference on arousing the enthusiasm of managers and producers.

12221/12795
CSO: 4006/898

PRICE REFORM IN SHANGHAI DISCUSSED AT SYMPOSIUM

Shanghai SHANGHAI JINGJI (SHANGHAI'S ECONOMY) in Chinese No 2, 15 Apr 85 pp 9-11

[Article by Li Fan [0632 3879] and Zhang Hongming [1728 3126 6900], Shanghai Academy of Social Sciences: "Price Reform in Shanghai." Abridged from an article presented at the Symposium on the Reform of the Economic System of Shanghai Municipality]

[Text] I. Present Situation and Problems of the Price Reform in Shanghai

Much work has been accomplished and much success has been attained in price reform in Shanghai during the last few years, carried out under the correct leadership of the State Council and in accordance with the unified dispositions of the Central Committee. However, compared with many fraternal provinces and municipalities, the pace of price reform in Shanghai has not been fast enough. Especially compared with such provinces as Sichuan, Guangdong, and Jiangsu, it becomes evident that action in Shanghai has been comparatively slow, that price management has not been sufficiently flexible, and controls too profuse and too rigidly centralized. Generally speaking, the pace at which the price reform has been conducted in Shanghai, therefore, does not yet meet the needs of reform and of Shanghai's vigorous development.

A detailed analysis of the progress of Shanghai's price reform reveals that price reform in Shanghai before 1984 proceeded at a seriously slow pace. In concrete terms: (1) When controls for extra-plan means of production were relaxed in most provinces and municipalities throughout the country, Shanghai persisted in inflexible price control measures, with the result that the demand of the city's enterprises for needed raw and semiprocessed materials could not be satisfied, which in turn to a certain extent had an adverse effect on the development of production. (2) When restrictive controls for agricultural and sideline products of the second and third categories were relaxed and replaced by trade at negotiated prices in many provinces and municipalities, Shanghai persisted in not relaxing, or only slightly relaxing such controls, and continued financial subsidies and assumption of financial responsibilities with regard to many agricultural and sideline products of the third category, with the result that Shanghai's financial burden grew heavier day by day. At the same time, as many commodity prices were lower than outside, Shanghai took on the form of a "depressed price basin," and that resulted in shortages on Shanghai markets. Some commodities had their prices but were nowhere to be found, to the great inconvenience of the needy consumers. (3) When the state had prescribed that pricing of small commodities of the third category should be relegated to the enterprises and prices be negotiated between industry and commerce, Shanghai was slow in taking action and did not promptly implement the prescribed measures.

Beginning in 1984, especially since the latter half of last year, Shanghai accelerated its reform of the economic system, and new progress was also made in price reform. In concrete terms: (1) Adoption of flexible pricing measures regarding trade in extra-plan means of production helped the flow of natural resources into the Shanghai market and promoted production and circulation. (2) Rational adjustment were made in the prices of manufactured goods for daily use, which for a long time had been traded at a loss or with little profit above production costs, and in the fees for labor or services; items referred to here are mosquito-repellent incense, glass liners for thermoses, chinaware for daily use, iron pots, aluminum articles, as well as clothing processing charges. (3) At the same time as supplies at parity prices were instituted for several items of main nonstaple foodstuffs, trade at negotiated prices was opened up for poultry, fresh eggs, aquatic products, etc. Pricing for agricultural and sideline products of the third category was completely freed, and enterprises were allowed to trade at their own discretion in such articles as fresh fruit, dried fruit, dried vegetable, etc. (4) For certain industrial goods for daily use such flexible measures as pricing according to quality, high prices for high quality, and floating prices were instituted. For instance, higher prices were set for high quality woollen goods, different prices according to colors and designs were set for cotton prints and yarn-dyed fabrics, and floating prices were allowed for garments, etc. Besides these measures, the leading departments concerned relegated pricing rights for certain lots of industrial products of the second and third categories rank by rank down to lower authority and also relaxed price controls over township and rural collective enterprises and trades operated by individuals.

The following are the main problems that presently exist in price reform at Shanghai:

1. Too many commodity prices are still under local administrative control. Apart from such industrial commodities which are on the list of items for which prices are to be centrally controlled by the commodity price control department of the municipality, a considerable part of commodities not so listed are still being managed and controlled by the commodity control department of the municipality, which up to this date has not yet clearly delegated down the rights of their control. At the same time, commodity prices which by rescript should have had their rights of control delegated down have had such prescriptions not yet conscientiously implemented, so that the rights of the enterprises to price such items have not yet materialized.

2. Purchase and sales prices for some agricultural and sideline products used as industrial raw materials and for some major nonstaple foodstuffs have turned upside down and are still being supported by financial subsidies. For instance, leather is this year still being procured at high prices and supplied to production enterprises at low prices, requiring an estimated

subsidy (or assumption of financial responsibility) of 40 to 50 million yuan. Meat, poultry, eggs, and vegetables, as far as they are now supplied at parity prices, are still being subsidized. Commercial enterprises that last year dealt in these commodities had losses of 250 to 260 million yuan, and if the subsidies are continued this year they will run to about the same figures.

3. In controlling pricing by the tertiary industries and fees for labor services, we need to break away from traditional concepts and old molds in our thinking, pricing methods, and the actual setting of prices, and hence manage and revitalize the pricing in the tertiary industries. For instance, for a long time we treated catering services as welfare undertakings, with the result that the Shanghai catering services became poorer and poorer and slowed down in their development. This demands that we change our concept of them from that of welfare undertakings to one of profit-making enterprises, and that we, furthermore, adopt differentiated guiding principles according to the different grades of consumption needs. As to the control and setting of prices for scientific and technological transfers and consultations, and for information services, there is also the problem of appraising prices for the results of intellectual labor and for intellectual property.

4. We exert tight control over the pricing of state enterprises and large enterprises; loose control over collective enterprises, individual entrepreneurs, and small enterprises; tight control over the pricing of old collective and large collective enterprises, and loose control over new collective and small collective enterprises. As a result the state enterprises, large enterprises, especially large state-operated enterprises, have to suffer various restrictions in their business operations, which has an adverse effect on the revitalization of large state enterprises, leads to an unfavorable competition between the large state enterprises with collective medium and small enterprises and individual entrepreneurs, and is unfavorable for having the state enterprises play a leading role in the market.

Generally speaking, since last year large progress has been made in the price reform at Shanghai, but compared with fraternal provinces and municipalities which have reformed much quicker, there is a considerable disparity, not only in the guiding philosopht but also in the concrete rate of progress. It is necessary to forge ahead energetically and to try hard to catch up, and, moreover, to overtake them as soon as possible. This, then, is the arduous task and the serious problem which Shanghai faces in the course of its reform.

II. Some Suggestions for Shanghai's Price Reform

In its "Resolution on the Reform of the Economic System," the 3d Plenum of the 12th CPC Central Committee has clearly stated its policy and principles in the matter of reforming the pricing system. Recently, leading comrades of the State Council, furthermore, presented some tentative ideas on the specific implementation of the price reform. The problem that is now before us is to integrate the spirit of the Central Committee directives with the actual conditions of economic developments in Shanghai and to adopt, firmly and courageously, realistic and feasible measures of price reform. We must seize the present opportunity and put the said measures into practice. With this in mind, we present the following few suggestions:

1. The price reform at Shanghai, while safe and sound in its progress must strive for speed

Premier Zhao put forward a strategic demand for Shanghai's reform and vigorous development; this is Shanghai's glorious task and also its special responsibility toward the entire country. In the course of reforms, Shanghai should play the role of a "pioneer that paves the way," making every effort to march ahead of all fraternal provinces and municipalities. This should also be the case in the price reform. Of course, price reform is arduous and complex work, for which it is necessary to adopt a vigorous as well as stable and safe policy. However, a "stable and safe" method has absolutely nothing in common with such attitudes as hesitation and indecisiveness, or marking time without progressing, or following others and imitating someone else's every move. As said earlier, there exists already a disparity when we compare Shanghai's price reform with that of the fraternal provinces of Guangdong and Sichuan, where reforms have progressed so much faster. It is now up to us to make the effort not only to catch up, but even to overtake the others. This requires a stable and safe progress with a striving for speed, and requires vigorous exertions to get ahead. As to the time element, the Central Committee demands that we strive to achieve the orderly regulation of China's prices within the period of the Seventh 5-Year Plan. From now on, that leaves us only 6 years. If Shanghai now even aspires to a leading position in the reform process of the entire country, it will take an extra 1 or 2 years, so that we are only left with 4 or 5 years. Conscious of the fact that we have to accomplish this arduous task in so short a time, how can we possibly still allow ourselves to wait and idly look on? We know that price reform is the key element in the reform of the economic system. Without price reform, many economic reform measures cannot be implemented. Without revitalizing our prices, the economy cannot truly be revitalized. It is therefore necessary in Shanghai's price reform to have safe and stable progress with vigorous efforts for its speedy accomplishment; this is self-evident.

2. The price reform must effectively guarantee the economic interests of Shanghai's urban and rural population, and "effectively protect the real income of the large urban and rural population from any reduction due to the adjustment of prices."

It is imperative to effect price reform. However, price reform affects the vital interests of thousands upon thousands of households; it has to be handled with great care. Hu Yaobang proposed that price reform must "start with raising wages, followed by raising commodity prices." This is an important principle. Judging by the conditions experienced in several readjustments of commodity prices in recent years, whenever the adjustment of commodity prices was harmful to the vital interests of the urban and rural population, there were strong objections from the masses and very forceful reactions. In the opposite case, there were comparatively few objections, and the reforms could gain the support of the masses. It is our opinion that if price reforms are carried out in so large a city as Shanghai, first and full consideration must be given to the urban and rural population, particularly to the interests of the workers and intellectuals who rely on their wages and salaries for their livelihood. We must place this problem into a prominent position, adopt effective measures and make appropriate arrangements. The reform could then avoid "fear of disturbance in the rear," and the leading departments would then be free to courageously carry out the reform and engage in further explorations. The most important factor in guaranteeing the economic interests of the urban and rural population is a linkage between the income of the urban and rural population and the commodity prices. This can be achieved in two ways: One way would be, when raising the costs of the basic necessities of life, or of gas, water, electricity, rent, etc., to grant employees and workers (including their dependent relatives) corresponding commodity price allowances. The allowances must not be lower than the losses they suffer from the rise in prices. The other way would be, when carrying out salary and wage reforms, to include a commodity price allowance in their salaries and wages, and thereafter use the cost of living index to link salaries and wages with commodity prices, allowing salaries and wages to fluctuate according to the cost of living index. This would be a very good means of effectively guaranteeing that the real income of the urban and rural population would not be reduced, as it would also be an important condition to ensure a smooth progress for the price reform.

3. Specific ideas on the price reform at Shanghai:

(1) A reform of prices for means of production has no direct effect on the livelihood of the urban and rural population, so that the pace of these reforms could be somewhat faster and on a larger scale. Apart from items designated by the state to be bought and sold according to directive-type planning, in which cases the prices fixed by the state must be observed, all other items available for extra-plan buying and selling should generally be allowed to float within a certain range, based on the prices fixed by the state. As to the range of this floating, it could, if necessary, be allowed to break through the 20 percent limit.

(2) The state has already explicitly indicated that the prices for agricultural and sideline products shall be gradually freed. Following the daily widening reform and opening up of the economy, Shanghai, as the largest economic center of the entire country, is bound to experience a steady stream of agricultural and sideline products flowing into and out of its markets. It is therefore imperative in the case of Shanghai too that prices for agricultural and sideline products should be freed. It is our opinion that apart from key products centrally controlled by the state, such as grain, cotton, and oil, it would be possible to completely free the prices of all agricultural and sideline products, such as prices for pork, beef, mutton, poultry and eggs, aquatic products, and vegetable, for which purchase and selling prices are now in a topsy-turvy position, after granting consumers certain commodity price allowances. As to agricultural and sideline products that are used as industrial raw and semiprocessed materials, such as leather, one may, after adjustment of salaries and wages, abolish subsidies for these and at the same time appropriately adjust the prices of the finished products. As to the prices of other agricultural and sideline products, one should also make active preparations, seize the opportunity and gradually effect adjustments.

(3) As to imported raw and semiprocessed materials used for the development

of production, they may be sold at negotiated prices according to market conditions. If the imported material is of high quality, a certain increase may be added as a quality differential. If the cost price of the imported products, after adding charges and profit, exceeds the negotiated market price, an appropriate subsidy should still be granted by the finance organs. This will help lighten the financial burden and will be beneficial for a gradual approximation of the domestic prices to the international level of prices, thus providing conditions for a further opening up of the economy.

(4) As to the prices for industrial goods for daily use, apart from those items which are subject to directive-type planning and for which the prices fixed by the state must be observed, and apart from other items for which the state has made definite provisions, the scope of floating prices could be appropriately expanded to them, under the guidance and control of the municipal department in charge of commodity prices. The prices for industrial goods for daily use affect the immediate interests of the urban and rural population. To guarantee meeting the needs of the population of Shanghai as regards industrial goods for daily use which are in short supply, the system of issuing purchase ration cards for industrial goods for daily use may again be reverted to, and they should be supplied at parity prices. Prices may be freed for any items that are not supplied against ration cards.

(5) Prices charged by the tertiary industries must be revitalized. The scope of the tertiary industries is rather broad, some of its sectors are closely bound up with the livelihood of the people, such as house rent, charges for water, electricity, and gas and local transportation. When adjusting price and charge standards in a rational way, the urban and rural population must be given a corresponding commodity price allowance. For the price and charge standards in the case of some traditional branches of the tertiary industries, such as the catering services, the hotel industry as well as laundering and dyeing shops, barbershops, bathhouses, photo shops, differentiating guidelines must be adopted depending on the needs of the consumers and the different levels of such services. Those that are closely linked with the livelihood of the people, such as small eateries, public eating halls, an appropriate profit margin should be prescribed; requiring these enterprises to sell large quantities at low profit, but allowing them a certain profit to accumulate funds for reproduction. As to prices for items of high-quality consumption and services, such as consumption at high-grade bars and restaurants, hotels and hairdressers, prices could be left completely free, allowing the enterprises to fix their own prices. In some cases members of the same trade could determine a differentiated scale and range of standard prices. As to prices for newly arising tertiary industries, such as prices for the transfer of science and technology, for consultation or information services, further study and exploration is needed, but for the time being they could be allowed to be freely set.

(6) As to prices for commodities not explicitly listed as to be administered by the relevant departments of the central government and also not clearly designated as items for which pricing authority is explicitly relegated to the enterprises, the municipal department in charge of commodity prices must further study and gradually clearly and definitely determine control limits. Unless really necessary, they should as far as possible not be listed among

the items to be controlled by the municipal department in charge of commodity prices. For some of these items, the system of floating prices may be applied, to avoid too widespread controls and too rigid centralization of control. Apart from these matters, it is necessary to investigate, exercise supervision and urge implementation in the case of those items for which relegation of pricing authority has been explicitly prescribed in relevant documents, but for which such relegation has not yet been conscientiously implemented, in order to have the pricing rights of the enterprises truly put into practice and to consolidate the results of the price reform wherever such results have already been achieved.

9808
CSO: 4006/529

DELEGATION OF AUTHORITY IN SHANGHAI INDUSTRY ANALYZED

Survey on Delegation

Beijing LIAOWANG [OUTLOOK] in Chinese No 5, 3 Feb 86 p 17

[Article by Shang Lu [1424 7120]: "A Survey on the Delegation of Authority in Shanghai's Industrial Enterprises"]

[Text] Recently we conducted a survey on the implementation of the delegation of authority provisions in some state-run enterprises in the city. A total of 483 questionaires were distributed of which 401, or 83 percent, were returned completed.

We divided the delegation of authority provisions into seven categories. According to the answers to the questionaire, implementation is the best in the purchase of materials, funding allocation and planned readjustment. Internal enterprise integration, product price setting, enterprise sales of products, and personnel disposition had a poorer showing.

Key: 1. Delegation of Authority Categories. 2. Power 3. Partial Power 4. No Power 5. Power to arrange production after fulfilling quota norms and plan obligations 6. Power to readjust plans (due to changes in supply and demand) 7. Power to readjust plans (due to lack of raw materials and fuel and difficulties in sales) 8. Power to sell enterprise's own products 9. Power to set prices 10. Power to select and purchase materials 11. Power of allocation over the five funds 13. Power over administrative set-up and personnel selection 12. Power to lease out fixed assets 14. Power to recruit technicians and managers 15. Power to recruit workers 16. Power to determine wage forms 17. Power to increase wages (3 percent) 18. Autonomy of combined enterprises

Some Views on the Delegation of Authority

It is believed in many enterprises that there is too much pressure on them from the directive planning system which often exceeds their production capacities. In addition, directive planning has not been able to guarantee the provision of the raw materials it is supposed to guarantee, so even if the supervisory departments grant the enterprises the right to adjust the plan, it is not very meaningful.

As for the power to market products and set prices, some enterprises have said that often it happens that when the enterprise sells products produced in excess of the quota in the first year, the supervisory department increase plan norms in the second year, making it impossible for the enterprise to overfulfill production targets. Since enterprise power to sell its own products exists in name only, it is difficult to implement its right to set prices. Even with the right to market products, there is no power to set prices due to the restrictions of supervisory or general departments. For example, say a purchasing department agrees to a price increase of 5 percent for the prize-winning medium length imitation woolen print cloth of a certain factory. If the supervisory department disagrees, there is nothing that can be done about it. The right to set product prices in industries for whom it is easy to manufacture new products and products that are not needed in daily life is better impelmented.

Most enterprises believe that the power over the allocation of funds has been implemented fairly well. The enterprises can obtain funding for various projects according to the ratios set by regulations, and can basically dispose of the funds as they wish. The major problem in this regard is the percentage of funds that can be retained is too small and cannot effectively enhance enterprise strength.

As for the power to utilize retained foreign exchange, most enterprises feel they do not have this right, which is primarily exercised by the supervisory departments, leaving the enterprises in a very passive possition.

Most enterprises reported that their power to select and purchase materials had been well impelmented. However supervisory departments still try to force enterprises to purchase materials in overstock.

Enterprise power over the recruitment of staff cannot yet be implemented. Most workers are recruited first by the departments of labor personnel and then by the company before reaching the enterprise. Due to the restrictions of the general departments, the enterprise lacks the power to recruit the necessary technical and management personnel from other units and regions. Similarily, under the state unified system of contract for total wages, most enterprises accept whatever form of wages may be determined by higher authorities.

The Enterprises' Hope

1. In most enterprises it is believed that the foremost problem that needs to be resolved in stimulating the enterprise is the reform of the supervisory departments that have power over the enterprises. This includes the reorganization or elimination of administrative companies, changing the functions at the bureau level and establishing voluntary industrial associations. The enterprises stressed in particular that it would not do to first delegate authority and then reform the company management system.

2. It is believed in many enterprises that the key to decentralization lies in the power over the pursestrings. If this is not relinquished to the enterprises, delegation of the other forms of authority is meaningless. The right to utilize the five funds is merely part of financial power, and it is just this part that is frequently restricted by directives from supervisory departments. For example, the use of bonus funds and taxation is already restrictive enough without adding administrative commands on top of that. It is the belief in the enterprises that the state should stress control over taxation, and product variety and quality, leaving more autonomy to the enterprises on other issues.

3. The enterprises report that their heavy social burdens make the task of enlivening difficult. For example, enterprises must spend much to support social welfare measures for their employees, something which should be the responsibility of society, not the enterprises. Otherwise enterprises cannot be improved and truly enlivened. Society can only obtain more financial assistance when the enterprises have been genuinely enlivened.

4. It is believed in the enterprises that an overall plan for the reform must be created as rapidly as possible, thus encouraging leadership departments to do a good job of integrated balancing and avoiding bureaucracy in government and pointless wrangling, which leaves the enterrpises helpless.

Analysis of Decentralization

Beijing LIAOWANG [OUTLOOK] in Chinese No 5, 3 Feb 86 p 18

[Article by Lu Zhangjie [7120 4545 3381]; "An Analysis of a Survey of Delegation of Authority in Shanghai Enterprises"]

[Text] It has been more than 1 year since the promulgation of the State Council's "Provisional Regulations Concerning the Further Expansion of Enterprise Autonomy," (or the "Provisional Regulations" for short). Have the enterprises, in particular the large and medium-sized enterprises won the rights due them of microeconomic control? What are the major problems in the implementation of the delegation of authority to the enterprises? What suggestions and ideas are there at present regarding the resolution of these problems? These are important questions in the enlivenment of enterprises, especially large and middle-sized ones, questions that have elicited widespread concern. Recently Shanhai conducted a survey concerning these problems.

The broad scope of the survey encompassed the machinery and electronics industries, light industry, textiles, chemical, metallurgic, handicraft, and other industries.

Shanghai's delegation of authority to the city's enterprises can be summed up and placed in the four following categories:

The First Category: More than 90 Percent of Delegation of Authority Provisions Implemented; 12 of the 401 Enterprises Taking Part in the Survey, or Approximately 3 Percent, Belong to This Category.

The powers not yet delegated to these enterprises consisted primarily of the right to set high prices for products of high quality which was initiated in 1985 in a supplementary regulation, the right to readjust and utilize part of their retained profit, etc. Most of these enterprises are small-scale and state-run. Few of their products come under the directive plan, their management is fairly flexible, and the supervisory departments do not interfere much; therefore they have a bit more autonomy.

The Second Category: 201 Enterprises, or Approximately One-Half of the Total Saw an Implementation Rate of More Than 60 Percent.

These enterprises gained autonomy over: the limited utilization of funds, personnel management, the right to determine institutional setup, right to link up with the interior, etc. Powers that have not been implemented or have been incompletely implemented include: the right to make plans, to sell products, to purchase materials, to choose wage forms, etc. These enterprises showed varying degrees of implementation. Authority to trial enterprises was better delegated than to other enterprises; supplementary type autonomy was implemented somewhat better than autonomy in key areas; implementation in experimental type enterprises was somewhat better than in conservative type enterprises. Most of these enterprises were medium-sized and state-run.

The Third Category: There Were 173 Enterprises for Which Less Than 60 Percent of the Provisions Were Implemetned, or Approximately 43 Percent of the Total.

These were for the most part, older enterprises that manufacture traditional products that sell well. Directive planning sectors raised quotas for these enterprises at each level. making it impossible to overfulfill production targets. Therefore the enterprises clearly had no way of exercising the right to selling products produced in excess of plan norms. In addition, some rights delegated last year were later revoked by the supervisory departments after the appearance of new imbalances and contradictions, such as the right to make plans, sell products, purchase materials, and so on. Relatively speaking, somewhat more of these enterprises were of traditional types rather than the new, and tended to be large-scale rather than medium- and small-scale. There were also somewhat more advanced enterprises with a higher base and better economic returns as opposed to those average enterprises with a power base but possessed of great potential.

The Fourth Category: There Were 15 Enterprises, or Approximately 4 Percent of the Total, for Which the Provisions Were Basically not Implemented.

These enterprises consisted of two types: One was the key, priority-type enterprise to which a minute amount of authority was delegated, while power over larger concerns remained centrally and rigidly controlled. The other type occurred in the situation in which cadres had been granted authority but could not use it or lacked the courage or ability to do so. Cadres such as these cannot meet demands on them for competency necessary in working in a planned commodity economy.

The reasons for this failure to truly implement the delegation of authority are as follows:

1. Planning management: When there is no clear distinction between directive and guidance planning, some guidance planning is, in fact, made to correspond to the demands of directive planning. In addition, there is a definite gap in the supply of raw materials under the directive plan, but enterprises cannot purchase them on the market at negotiated prices, increasing product costs which are difficult for the enterprises to absorb and assimilate.

2. Product sales. In order to fill the gaps in raw materials supply for the entire industry, some supervisory specialized departments frequently hoard hot-selling products to use in exchange for materials in short supply, thus rendering meaningless the right of the enterprises to market their own products. Some enterprises manufacture products of some reputation on the domestic market, but prefer that they not be designated as quality name-brands in order to maintain the right to market them. As a certain factory director put it, "There's more freedom dealing in ordinary products than in premium brands."

3. Purchase of materials: Supply in centrally allocated materials does not currently meet demand. As a result, enterprises can only make do with what they have and comparison shopping is quite impossible. In addition, in order to guarantee completeness of materials in their own regions, systems and industries, some supervisory departments use their power to defy the law and take restrictive "protective measures," such as not allowing the enterprises to purchase materials from other regions. systems, or industries, thus preventing the complete implementation of the delegation of authority over materials purchase.

4. Administrative setup: Due to the restraints involved in lateral and vertical relationships, criticism and resistance are often encountered from all quarters when attempts are made to organize first-rate, streamlined, professional business units. Although no rigid regulations have been made at present for enterprise organizational setup, demands are still made through discussion for the creation of counterpart structures at all levels. If the enterprise does not comply, it will do poorly on any inspection, comparative appraisal, acceptance test, or review conducted by

higher authorities. As a result, enterprise organizational structures increase rather than decrease in number.

5. Combined operations: If an enterprise wishes to engage in a joint venture with a certain unit in the hinterland, it must submit reports at all levels and go through numerous administrative formalities. If just one department exercises its "veto power" or adopts a strategy of procrastination, the project comes to a halt.

6. Personnel: Departments of labor and personnel still insist on supplying enterprises with unnecessary staff and intervene in the recruitment of personnel. Thus the enterprises have no power to recruit labor from society as a whole.

7. Factory director responsibility: In some factories where a director system is being put to trial use, all the CPC committee secretary has to do is disagree, and any decision of the director is null and void. In a minority of enterprises the party committee secretary still takes care of everything and the lack of distinction between party and administration remains.

In summation, after the State Council issued the "Provisional Regulations" in coordination with the government of Shanghai, the various bureaus and companies did delegate some authority, generally improving on strengthening the enterprises and, increasing economic returns. However, there is much unevenness in the implementation of the regulations throughout the city. Some supervisory departments have not yet completed the shift to primarily indirect control over the enterprises, while some intermediary departments have interfered with authority granted the enterprises by the state. As a result, some large and medium-sized state-run enterprises in Shanghai are still stagnant to varying degrees. Of course, strengthening and enlivening the enterprises primarily calls for efforts by the enterprises themselves, but the issue of how to further implement the delegation of authority in all areas in order to provide the enterprises with a better operating environment and external conditions is also an important question that must be studied in order to economically stimulate the enterprises and further advance the reform.

Commentary on Shanghai Survey

Beijing LIAOWANG [OUTLOOK] in Chinese No 5, 3 Feb 86 p 19

[Commentary by Lin Chen [2651 2525]: "Setting our Mind" at Ease over Delegating Authority"]

[Text] Judging from the Shanghai survey, much progress has been made in stimulating enterprise reform: more than one-half the enterprises have obtained most of the autonomy due them. However the survey also showed that very little authority was actually implemented to large and medium-sized enterprises.

What has led to this state of affairs?

One reason is that some localities and supervisory departments simply do not wish to delegate authority. With power comes convenience and profit. Therefore much of the authority gratned the enterprises by the state is interfered with by the various administrative companies. The second reason is that there are some large and medium-sized enterprises that genuinely lack flexibility, are poor in overall management capacity, lack the pioneering spirit and cannot or are afraid to use the autonomy already granted them.

However, the key reason lies in the fact that some supervisory departments and localities do not completely comprehend the reforming measure and concept of the delegation of authority. Authority may have been delegated according to the regulations of the State Council, but these people cannot set aside their fears. Large and medium-sized enterprises are the lifeblood of the national economy. In the past, they were always under the direct control of various levels of leadership. All levels of government and the various departments are accustomed to using the old methods of administrative management to guide these enterprises, are not very comfortable in the role of "service worker" to them and are concerned over the enterprises' ability to develop themselves after decentralization. Therefore they panic at the slightest pretext. For example, during the period of loss of macroeconomic control that occured a while ago, they took advantage of the situation t[illegible]ake back the authority that had already been delegated, or added "footnotes" to the provisions on the delegation of authority that suited their own designs and turned back toward the old, customary ways.

The emergence of these fears during the course of the shift of China's system of economic management from direct to indirect management is fairly typical. It shows that we must further change and deepen our understanding of the delegation of authority and the reform.

Actually, there is no need for concern over those enterprises whose leadership does not know how to use its autonomy. A bird's wings will still function even if the bird does not fly. Practice has shown that too much interference has a negative effect on enterprises. But some people still worry over enterprises that have the capacity to develop themselves, because the methods used in these enterprises are never in accordance with the old rules and ways of doing things. In fact there is no cause for alarm. Experimentation should be permitted so long as it is in accordance with the state's program of reform and is not in violation of the low or discipline.

People who are worried about the delegation of authority often associate the recent loss of macroeconomic control with decentralization and believe that the latter is the cause of the former, and therefore erroneously fonfuse the restoration of the directive system of leadership with strengthening management. Of course it cannot be denied that for a while so much attention was being paid to stimulating the microeconomy that macroeconomic control was neglected. Or it could be said that although problems occured due to lack of experience in the use of economic methods to engage in macroeconomic control, these very same problems have helped us to further understand the orientation of the ongoing reform, and should not be used as an excuse to negate the delegation of authority to the enterprises and other reforming measures.

The situation is precisely like this in reality. Through a year's practice last year, people have come to realize that macroeconomic controls must be strengthened, but a return of the use of administrative measures must absolutely be prevented. One of the goals of macroeconomic control is the creation of ideal external conditions for the stimulation of the microeconomy and the rationalization of enterprise behavior. The proposal of reform programs in the fields of finance, taxation, price, and the utilization of economic levers has demonstrated this for a fact.

At the National Conference on Economic Work convened not long ago, some leading comrades again emphasized the need to genuinely implement the delegation of authority to enterprises and to stop interference against this decentralization from occurring at the various bureaucratic levels. They also suggested that enterprise enlivenment, particularly of large and medium-sized key enterprises, be listed as one of the four major projects to be tackled in this year's reform efforts.

The information reflected in Shanghai's survey of the delegation of authority to the enterprises should be taken seriously by all provinces, cities, and sectors. Of course, it is all well and good that the supervisory departments should be concerned about the delegation of power to the enterprises, but it seems that they would do better to pay closer attention to adapting to the new economic situation, completing the favorable change in role and function, enhancing overall service capacity and allowing the enterprises to go ahead and develop production without fear, rather than being excessively concerned over authority that ought to be delegated to others.

12221/12640
CSO: 4006/886

ECONOMIC MANAGEMENT

SHANGHAI INDUSTRIAL PRODUCTION DISCUSSED

Shanghai WENHUIBAO in Chinese 27 Feb 86 p 1

[Commentary: "Do a Good Job of Present Production Tasks"]

[Text] This is the first year of the Seventh 5-Year Plan. There is a close relation between doing a good job of current production work and getting economic development off to a good start with the smooth implementation of the plan and the overall implementation of Shanghai's development strategy.

1. Since February, due to the efforts of the vast ranks of cadres and workers, remarkable achievements in industrial production have been made in the city, but it must be noted that the plan has not been completed in a sufficiently ideal fashion. This problem must elicit serious attention. Faced with shortages of electrical power, raw materials, and capital, many difficulties will be encountered in the advance toward maintaining this year's sustained, stable increase in production. We must take full stock of the situation, arouse our energies, seize the present opportunity, and take strong measures to increase production as rapidly as possible.

To resolve the difficulties and problems we are faced with and do a good job in organizing production and circulation, we must persist in giving first priority to the reform. Industry in Shanghai centers primarily around processing. The shortage of energy and raw materials has been a contradiction for a long time. The reform of the planning system and changes in avenues of circulation have caused great changes in channels of production, supply, and sales in industrial sectors. If we cannot adapt to the new, changed situation in ideology and our practical work, the shortage in energy and raw materials will become increasingly worse. We must adhere to the reform, seriously implement the principle of "consolidation, digestion, replenishment, and improvement," stimulate the materials market, balance surplus and deficiency, manage in an even fashion and fully exploit present material potential. At the same time, we must make good use of Shanghai's economic and technical advantages and take initiative together with all provinces and cities in the Shanghai economic zone and other brother regions to stress integration, promote reform, improve lateral economic relations, organize the coordination, balance, allocation, and transport of raw materials and tackle the construction of several integrated development bases for natural resources so that there will be a steady source of raw materials supply, thereby alleviating the contradiction involved in the shortage of raw materials and enabling Shanghai's industrial development to gradually get on to the new track.

Correctly dealing with the relationship between speed and returns is an important problem in increasing production. In the past few years the vast ranks of the cadres have greatly improved their understanding of the concept of economic returns, which is a good thing, but at the same time, we must understand that the importance of maintaining a definite rate of growth. When production speed is too high everything becomes overstretched, which really is not helpful in balancing economic relationships or in the smooth conducting of the overall economic reform. However, excessively slow speeds are detrimental to the market, exporting, and the earning of revenues. Demand on domestic and international markets has increased greatly this year. In order to expand exporting, make a good disposition of the city's market and improve supply nationwide, we must, based on the premise of increasing economic returns, maintain an appropriate rate of growth. As long as a product is of high quality, is in demand and sells well, earns much foreign exchange and withdraws currency from the market, we should seek to increase its production by any means. Faster speeds that can bring in good results should be encouraged and supported.

We also must be able to distinguish between stimulating the economy and correcting unhealthy tendencies, several of which really existed in economic life for a period of time. Correcting unhealthy tendencies is an important condition required in advancing the construction of the two civilizations. However, correcting such tendencies does not mean relaxing on or giving up the reform, but is engaged in in order to advance the reform and clear obstacles from its path to ensure the smooth conducting of both the reform and construction. Those who use power for personal gain should be exposed resolutely and dealt with, but we cannot equate mistakes that will inevitably occur in the process of reform due to lack of understanding and experience with using power for personal gain. Nor can we view normal cooperation and economic contacts designed by state policy to enliven the economy as unhealthy tendencies and oppose them. As long as something is permitted by policy and is beneficial to the reform, the open door, and the stimulation of the economy, we should not be fearful and hesitant, but should proceed from the needs of state construction and overall benefits to be gained and energetically take the initiative to seriously, responsibly do a good job of it in order to promote the sustained development of production. Leadership sectors at all levels must obtain a deep understanding of reality, improve investigations and study and do a good job in serving the grassroots and in eliminating their difficulties.

Considering the great present situation and the advantages that exist in many areas, these difficulties encountered in production are but problems in the road forward. So long as we recognize the problems for what they are, promote the spirit of rousing ourselves to attain goals, rely closely on the masses, and make a solid attempt to resolve problems we can surely continue to improve production.

12221/12795
CSO: 4006/898

ECONOMIC MANAGEMENT

ECONOMIC TIES OF SOUTHWESTERN PROVINCES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 May 86 p 1

[Article by Luo Zisu [5012 5261 5685]: "Good Development Seen in Economic Links of Four Southwestern Provinces; Self-Reliance, Multifaceted Linkups, State Support, Cooperation for Revitalization; More Than 2,000 Economic and Technical Cooperation Projects Last Year"]

[Text] In order to enhance overall coordination of and further develop lateral relations, the Third Conference of the Association for Economic Cooperation Between the Four Provinces and Five Regions of Sichuan, Yunnan, Guizhou, the Guangxi Autonomous Region and Chongqing was convened on May 20 in Kunming.

The association, formed with the encouragement of Hu Yaobang and Zhao Ziyang, was created in 1984. For the last 2 years, in order to gradually put an end to the restrictions of lateral and vertical divisions, eliminate obstacles in the way of lateral economic relations, and promote economic and technical integration and cooperation between provinces, cities, industries, and enterprises, the association has played a remarkable role. The state's Seventh 5-Year Plan has clearly designated the region as a first-level national economic zone. At this conference major strategic problems relating to the implementation of the Seventh 5-Year Plan in the region of mutual concern will be discussed.

Basing itself on the principle of "self-reliance, diversified contacts, state support, cooperation to revitalize," remarkable successes have been achieved in economic integration and a positive trend of development has emerged. In the five regions, 2,163 cooperative economic and technical projects were designed, of which 1,006 have already been implemented. These projects have promoted reform in the planning, revenues, finances, prices, and material supply system of the entire region. In the last year, various trade centers and wholesale markets have been developed and improved centering around the five central cities of Chengdu, Kunming, Guiyang, Nanning, and Chongqing via integration, and ports for commodity trade of all kinds have been created. Last year, at the five commodity trade fairs held by the five central cities, the materials coordination conference and the light industrial products display and sales convention, transactions worth 1 billion yuan were concluded. In transportation and communications, direct train service has been established between Chongqing and Kunming, Guiyang and Nanning, Kunming and Liuzhou, and between Chengdu and Guangzhou.

Some major projects were operated cooperatively in the region, such as the joint venture between Sichuan and Guangxi to build a project that would result in the annual production of 300,000 tons of synthetic ammonia and 520,000 tons of urea; the joint venture between Guangxi and Guizhou to construct a coke factory with a 600,000-ton capacity; the joint venture between Chongqing and Guizhou to construct a project that would result in the annual production of 40,000 tons of pure lye; the 6 million-yuan investment of Liangshan of Sichuan in Yunnan to construct a lead and zinc mine, and so on.

The Xinjiang Autonomous Region was officially accepted as a new member of the economic cooperation association at today's conference.

12221/12899
CSO: 4006/1053

FINANCE AND BANKING

REFORM OF FOREIGN EXCHANGE SYSTEM DISCUSSED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 6, 18 Dec 85 pp 6-8, 16

[Article by Xie Shusen [6200 2885 2773 and Shen Jinchang [3088 6930 2512]; "A Tentative Plan for Foreign Exchange System Reform"]

[Text] China's foreign exchange system, which falls far short of meeting the needs of developing foreign economic relations and trade, must be reformed. To facilitate further discussion on the subject, this article puts forward some views on the major weaknesses of the current system and future reform.

I. The Policy of "Centralized Control, Unified Trading" in China's Foreign Exchange

For years, China has consistently followed a policy of "centralized control and unified trading" with regard to foreign exchange. The "Provisional Regulations of the PRC for Foreign Exchange Control," promulgated by the State Council in December 1980, is an expression of this policy.

From 1949 through 1982, China's foreign exchange control and trading were the exclusive responsibility of the Bank of China. Following the restructuring of the financial system in 1983, the centralized control of foreign exchange and its unified trading became the functions of the People's Bank of China (acting as the country's central bank) and the Bank of China. The department in the Bank of China originally in charge of foreign exchange control was renamed the National Foreign Control Bureau and became a part of the People's Bank of China. Henceforth, foreign exchange control is the responsibility of the People's Bank of China, while foreign exchange trading is the province of the Bank of China. There is a correct decision in line with the needs of economic development and reform and China's realities.

II. Foreign Exchange of the Present System of Foreign Retention Rate and Problems

An important part of current foreign exchange control is the retention-rate control system. Under that system, a unit retains or keeps a portion of the foreign exchange it has earned in accordance with a set form formula and turns over most of the foreign currency on hand to the state. The unit's share of foreign exchange earnings is converted into RMB. This system encourages the initiative of units that earn foreign exchange and ensures their economic interests because not only can they sell the foreign exchange they are allowed to retain in return for RMB, but they also have the right to the benefits of foreign currency being retained. Moreover, the government can pool the foreign exchange turned over and retained by units and use it as current exchange in a centralized way. In recent years, however, the gollowing shortcomings have appeared in the system resulting from changes in the econmic system;

1. As China's foreign trade flourishes and its foreign excrange earnings from exports and foreign exchange retained rise steadily, the amount of foreign exchange obtained by units earning foreign exchange also keeps increasing. At present, this amount is at least two times the amount of foreign exchange it retains. The result is that an excess of RMB is being put into circulation by the state, which may lead to a total loss of control over the money supply.

2. Units which earn foreign exchange are not necessarily the same units which need and use foreign exchange. In other words, units with foreign exchange in hand may not use it, or at least not need it urgently, while other units in need of foreign exchange have no access to it. The result is that foreign exchange and funds are not fully made use of.

3. Since current exchange is concentrated in the hands of the central government which uses it constantly, the foreign exchange reserves of the state are dropping and may even dip below the sum of foreign exchange retained by all localities and departments. Since the share of foreign exchange that can be retained has now been increased from 8 to 25 percent, the amount of foreign exchange retained is bound to go up. At a time when the government is centralizing the use of current exchange, localities and departments are also doing their best to speed up the use of foreign exchange retained. The result is an overcommitment, a situation which will only get worse under the present foreign exchange retention system.

4. Since current exchange is concentrated in the hands of the state, which is responsible for its centralized use and control, localities and grassroots banks have no control over their foreign exchange revenues and expenditures and cannot raise or use their foreign exchange and funds as effectively or flexibly as they do regular deposits. This kind of overcentralization may strangle localities and grassroots banks and militate against unleashing their initiative and enthusiasm.

In short, under the present foreign exchange retention system, foreign exchange is not fully utilized and cannot play its proper function. On the contrary, the existing system frustrates the nation's goal of managing foreign exchange well and using it imaginatively and impedes the implementation of its open door and economic invigoration policies.

Therefore, the existing foreign exchange system must be reformed urgently to adapt to the needs of economic reform and the developing economic situation.

III. Objectives, Policies and Principles of Reforming the Foreign Exchange System

We believe that the existing foreign exchange control system must be reformed and replaced by a new system if foreign exchange is to be managed well and used imaginatively and if we are to implement the open door and economic invigoration policies more successfully. First, we must clarify the objectives and policies of the reform of the fogeign exchange control system and the principles it should follow.

1. The objectives of such a reform are; control foreign exchange well, use it imaginatively, make full use of foreign exchange and funds, increase the foreign exchange revenues of the central government, localities, departments and enterprises and help them economize on foreign exchange expenditures, maintain the state's foreign exchange reserves at a proper level and further promote foreign trade and balance China's international balance of payments.

2. Policies and Principles:

(a) Continue to adhere to the policy of "centralized control and unified trading." Experience shows that the policy, when China has followed throughout the years, is entirely correct and must, therefore, be continued firmly.

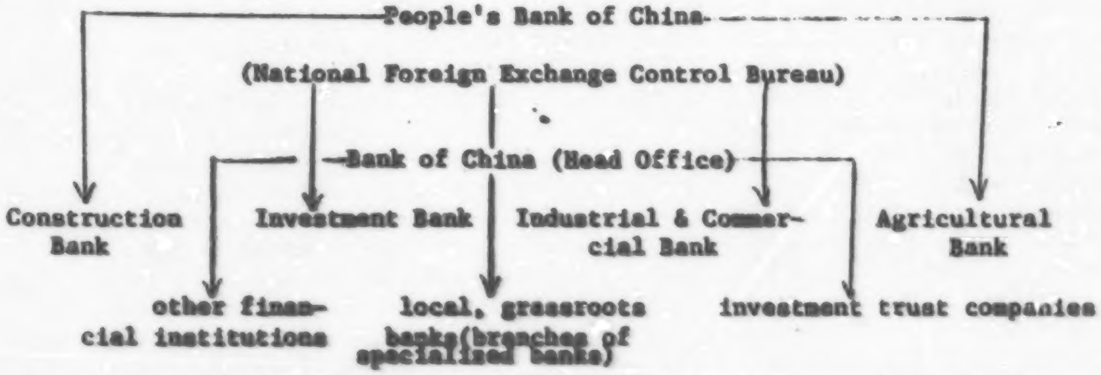
(b) A clear division of labor, with each attending to his own duties. The People's Bank of China is a central bank at the apex of the nation's overall financial system. Specialized banks, local banks and all other financial institutions, including the Bank of China which specializes in foreign exchange, must subordinate themselves to its leadership.

In 1983, the State Council ruled that as a state organ, the People's Bank of China should concentrate its resources on doing a good job in macroeconomic decisionmaking, particularly foreign exchange control policies, instead of offering credit services to enterprises and individuals. The Bank of China has a wealth of experience going back to more than 70 years in the banking business and foreign exchange services and a host of personal familiar with and engaged in foreign exchange operations. Moreover it has a network of branches and representative offices in major financial centers around the world and maintains all kinds of business relations with 1,185 banks, including 200 of the world's leading banks in 150 nations and regions. hence it is well equipped to centralize the state's miscellaneous foreign exchange operations and foreign exchange reserves.

(c) Combining centralization with decentralization to exploit the initiative of local grassroots banks. As a central bank, the People's Bank of China should decentralize power to the Bank of China and other banks and simplify administration. The Bank of China, for its part, should also decentralize power to its branch offices and other specialized banks, local grassroots banks, and financial institutions by permitting them to offer foreign exchange accounts and other services within a limited area, set up their own branches or offices overseas and establish agency relations with foreign banks. They should be allowed to engage in foreign exchange activities to a certain extent, which is what the Agricultural Bank, China Investment Bank, People's Construction Bank, Industrial and Commercial Bank, local grassroots banks and the China International Trust and Investment Corp. are doing at present. Only thus can we mobilize their initiative and enthusiasm for going into the foreign exchange business and rely on all quarters to increase the nation's foreign exchange and funds. Once conditions are ripe, the various localities may even attract a number of banks "financed by foreign, overseas Chinese, Hong Kong and Macao capital" and authorize them to engage in foreign exchange activities within limits. But a clear distinction must be drawn between "operating the state's foreign exchange and foreign exchange reserves in a unified way" and "engaging in foreign exchange activities," which are two different bundles of responsibilities. The former must be discharged by the Bank of China exclusively, while the latter can be handled by other banks and financial institutions.

IV. Tentative Blueprint for a New Foreign Exchange Control System

1. As mentioned above, the entire financial system is made up of the People's Bank of China, the headquarters of the Bank of China, other specialized banks, grassroots banks and financial institutions. Following is a graphic descriptions of the system of foreign exchange control:


People's Bank of China
(National Foreign Exchange Control Bureau)
Bank of China (Head Office)
Construction Bank
Investment Bank
Industrial & Commercial Bank
Agricultural Bank
other financial institutions
local, grassroots banks(branches of specialized banks)
investment trust companies

There must be a clear and strict division of labor between the People's Bank of China and the Bank of China, with each attending to its duties. The same is true between the Bank of China and other specialized banks, financial institutions, local and grassroots banks. But they must all work together to make foreign exchange control a success, use foreign exchange imaginatively and increase foreign exchange income. In the foreign exchange control system, all other banks are subordinates to the leadership of the People's Bank of China and its National Foreign Exchange Control Bureau. The Bank of China assumes responsibility for the unified operations of the state's foreign exchange and foreign exchange reserves and exercises leadership over the foreign exchange activities of other banks (including its branches), thus fulfilling its role as the state's specialized bank in foreign exchange. After strengthening the People's Bank of China's centralized control over foreign exchange and the Bank of China's unified trading, the current restructuring of the foreign exchange control system should focus on further simplifying administration and decentralizing power. The aim is to invigorate local, grassroots banks and financial institutions by turning up the pressure on them so that they will be more dynamic and vital and more keen to engage in foreign exchange activities, increase and fully make use of foreign exchange logically.

We believe a foreign exchange commission may be established under the State Council if necessary to provide leadership over the entire foreign exchange control system, coordinate the various branches in the financial system and resolve conflicts among them.

2. Adopt a single RMB exchange rate and lower its existing exchange rate as appropriate.

Beginning this year, the two rates--the official RMB exchange rate and the internal rate for settling accounts--have been replaced by a single exchange rate. This is the first step toward exchange reform and is a correct move. But the current basis for determining the exchange rate remains the "basket" of foreign currencies, the main drawback of which is that is largely leaves out of account the internal purchasing power of the RMB (i.e., the domestic price or inflation rate) compared to the purchasing power of relevant foreign currencies. Nor does it consider the ratio between the economic growth rate and output increase in China, on the one hand, and those in the Western nations, on the other. In our opinion, the exchange rate between the RMB and other currencies should primarily be based on the ratio between our inflation rate and its foreign counterpart. This is because it is both partial and wrong to go by the market rates of foreign currencies alone. Speculative factors as well as prices, inflation, and economic growth rate determine foreign currency rates in the foreign exchange market.

As for the exchange rate of the RMB, we believe that since the average costs of earning foreign exchange in China's major cities (Shanghai, Tianjin, and Guangzhou) are all higher than the current exchange rate, the RMB is overvalued. An overvalued RMB does nothing to increase exports, both trade and nontrade, and the income derived therefrom. At present, the most effective and lasting measure to balance foreign exchange revenues and expenditures is to step up commodity and labor exports. From this perspective, the exchange rate of the RMB is on the high side and should be adjusted. Only an exchange rate adjustment can stimulate export trade, overseas Chinese remittances, and other nontrade exports and may even encourage foreign businessmen to make direct investments. When we lower the exchange rate of the RMB, we must take into consideration other economic mechanisms capable of exercising economic leverage, particularly interest rates. Our interest rates on savings and loans in both RMB and foreign currentcies must match their foreign counterparts, othrwise we will not be able to spur the inflow of funds from banks and enterprises financed by foreign, overseas Chinese and Hong Kong and Macao capital, especially short-term foreign capital.

3. Establish a flexible, controlled (managed) floating exchange rate and allow a limited foreign exchange market to regulate foreign exchange supply and demand.

The present RMB exchange rate system is so rigid that it cannot meet the needes of the development of our external economic relations and trade and changes in the overseas foreign exchange market. We propose that a flexible, managed (controlled) floating exchange rate system be set up under which the National Foreign Exchange Control Bureau can adjust the exchange rate of RMB whenever necessary in light of the international financial situation and internal economic developments. Adjustments may be made at regular intervals or otherwise. In the medium- and long-run, RMB exchange rate adjustments must also take into account domestic price fluctuations, inflation rate, economic growth, the international balance of payments, and regular accounts deficits.

To lend flexibility to the adjustment of the RMB exchange rate so that it can adapt to the foreign exchange supply-demand situation, we propose the establishment of a limited foreign exchange market under state control to exploit the price mechanism and the law of supply and demand and help exchange rate adjustments better meet the need of both the supplier and the buyer. To begin with, we may establish a foreign exchange market in a selected city on a trial basis and eventually apply the idea in other cities after we become experienced. The foreign exchange market may be called a foreign exchange. In addition, a market and foreign exchange commission may be established to provide leadership over foreign exchange activities and administration. It should consist of representatives from the local specialized banks needed by the Bank of China (its local branches), grassroots banks, and financial institutions (e.g., investment trust companies and insurance companies). Only banks and financial institutions which take part in the locality's foreign exchange activities can trade on the foreign exchange. Other types of organizations, such as trading companies, may do so only through banks acting as their agents.

4. Replace the existing foreign exchange retention control system with a current exchange control system. In other words, enterprises should be allowed to keep a percentage of the foreign exchange they have earned, instead of turning over all current exchange (including foreign exchange retained) to the Bank of China as in the past. Their current exchange

may be shared by the localities, banks and enterprises in accordance with a specified formula. The main advantages of this arrangement will be:

(a) Since exchange-earning units are required to deposit their foreign exchange in the banks, the latter will be able to finance their foreign exchange operations with those funds and in the process fulfill their role to use foreign exchange and funds effectively as grassroots banks.

(b) Out of self-interest, units which earn or hold foreign exchange will naturally do their best to speed up the turnover of foreign exchange and funds and pursue optimal economic results, thereby significantly reducing the amount of idle foreign exchange and funds. Also, it will no longer be necessary to include the current exchange held by enterprises, localities, and grassroots banks in the government's foreign exchange reserves, so that the reserves will not be affected every time a unit uses foreign exchange. The phenomenon of the state banks and exchange-holding units duplicating the use of foreign exchange will also disappear.

(c) It will help the government control the money supply in RMB because under the current exchange-control system what exchange-earning units will obtain and hold is current exchange, not the retention rate. As a result, the question of putting RMB into circulation does not arise.

12581/12640
CSO: 4006/688

INDUSTRY

BIG RISE IN PLASTICS OUTPUT EXPECTED IN NEXT 5 YEARS

Chengde JINGJI XIAOXI in Chinese 4 Feb 86 p 1

[Article by special correspondent Shu Zhe [2885 0772]: "Big Increase in Plastics Production Is Projected for the Seventh 5-Year Plan"]

[Text] Plastic products are being used increasingly by consumers. Whereas the total production of plastics in China came to around 9.4 million tons during the Sixth 5-Year Plan, it is expected to reach 15 million tons, an increase of almost 60 percent, during the Seventh 5-Year Plan. Changes in the structure of the products will also occur as the scope of usage expends. Five large varieties of the product are being developed at a rapid rate. First are plastic products for daily use. By 1990, the annual amount of plastics for daily use is expected to increase 30 to 35 percent compared to 1985, constituting some 30 percent of all plastic products. Plastics will be widely used for dyestuff for everyday use and various kinds of household electrical appliances. Second, there will be an increase of over 30 percent in plastic products for agricultural use, especially plastic film for mulching. Third, the production of plastics for packaging, now constituting over 20 percent of the total amount of production, will be further increased. Plastics for packaging various products are likely to become the second most important industrial product. Fourth, the use of plastics in engineering will increase yearly. The demand for plastics in communications, electrical appliances, and communication and transportation machinery will increase at the rate of 6 percent. It is expected that production in 1990 will exceed the amount for 1985 by around 35 percent. Fifth, plastic products for construction will be rapidly developed. They will be used more and more for lighting, floors, wall panels, and such traditional construction materials as drainage pipes, doors, windows, and banisters. Plastic products for daily use, production, and practical purposes will be developed at a rapid rate.

9621/12899
CSO: 4006/789

INDUSTRY

TEXTILE ASSOCIATION PROVIDES DETAILS ON SUPPLY SITUATION

Chengde JINGJI XIAOXI in Chinese 7 Feb 86 p 4

[Article by Wang Jing [3076 0079]: "The National Textile Supply Association Provides Details on the Textile Supply Situation"]

[Text] The trade fair for the first half of 1986 held by the National Textiles Supply Association in Anyang in Henan Province came to a close recently. Transactions amounted to 757 million yuan, showing an increase of 40.4 percent compared to the same period in 1985. Among the transactions, pure cotton cloth showed an increase of 30.7 percent, polyester cotton cloth of 69.6 percent and long and medium-length fiber cloth a drop of 17.9 percent, while woolen fabrics remained basically stable.

There is an obvious change in the demand for different varieties. There is an acute shortage of pure cotton cloth. The trade fair was not able to supply the full amount of such varieties in demand in the market as white cloth [baishi (4101 1579)], cloth for making mosquito nets and for wrapping bean curd, sheeting, printed serge, broad cotton crepe, velveteen, and sturdy woolen fabric. With the increasing supply of high-quality cotton fabrics in the market, there is a tendency for increased demands for such related varieties as white cloth, sheeting, and serge with broad designs. While popular varieties of polyester cotton cloth of dependable quality are slow to sell, the supply of sheer finespun polyester cotton cloth and spun cloth for young people produced in Shanghai, Qingdao, and Tianjin and weft-knitted long-fiber polyester cotton fabrics, polyester cotton gauze and jacquard fine cloth produced in Shanghai, Zhenjiang, and Taizhou can hardly meet the demand. Due to the lack of new designs, the brief period of their popularity and the fact that certain products have failed to keep up with the styles of woolen fabrics, their poor quality and high prices, yarn-dyed medium-length fancy suiting and suiting for Western-style clothing, which used to sell well, have become difficult to sell. The sale of dyed long and medium-length gabardine and woolen fabrics with faint printed stripes has, however, taken an upturn, as has the supply of finespun fancy suiting, gabardine, and serge. There is, however, still an acute shortage of broad-woven embossing and snowflake woolen materials for making overcoats and uniforms.

9621/12899
CSO: 4006/789

INDUSTRY

PAPER INDUSTRY INCREASES PRODUCTION YEARLY

Beijing ZHONGGUO QINGGONGYE BAO in Chinese 9 Feb 86 p 2

[Article by Xin Ping [2450 1627]: "China's Paper Industry Ranks Sixth in the World in Paper and Cardboard Production"]

[Text] The paper pulp and papermaking industry in China underwent considerable development during the Sixth 5-Year Plan. The production of paper and cardboard fulfilled the quota of 6 million tons 2 years ahead of schedule. It is expected that the production volume of paper and cardboard would exceed 8 million tons, showing an increase of 53 percent over 1980, to set the highest record since the establishment of the republic and to rank sixth in the world. The average annual progressive rate of increase is expected to reach 8.6 percent and the average annual production increase to 550,000 tons.

During the last several years, the various provinces, cities, and autonomous regions which have achieved the average progressive rate of increase in excess of 10 percent include Henan, Ningxia, Hubei, Zhejiang, Nei Monggol, Jiangsu, Shaanxi, and Sichuan. Those which have exceeded the average national progressive rate of increase of 9 percent include Shandong, Hunan, Guangdong, Guangxi, Gansu, Qinghai, and Xinjiang. The 14 provinces which are expected to produce over 400,000 tons of paper and cardboards in 1985 include Liaoning, Sichuan, and Shandong. The provinces of Liaoning, Jiangsu, Zhejiang, Shandong, Henan, and Sichuan are expected to increase production by over 200,000 tons compared to 1980.

One special feature marking the development of production of the papermaking industry is the speedier development of the units outside the light industries system and their annual rate of increase in the ratio of total production. Whereas the amount of production in 1980 came to 732,400 tons, it registered 1,655,000 tons in 1984, showing an increase of 126 percent and an average progressive rate of increase of 31.2 percent compared to 1980. The ratio of production out of the total amount of production was increased from 13.7 percent in 1980 to 21.9 percent in 1984.

The structure of the products has also shown considerable improvement with a sizable increase in the production of printing and wrapping paper. Whereas the actual amount of production of relief printing paper came to some 550,000 tons in 1980, it is expected to reach 910,000 tons, showing an increase of over 350,000 tons and an average annual progressive rate of increase of 10.3 percent in 1985. The amount of production of offset paper has increased from some 130,000 tons in 1980 to 248,000 tons in 1985. The rate of increase in the production of these varieties of paper has been more rapid than the progressive rate of increase in the production of paper and cardboard. A beginning has been made in the production of newsprint and offset paper for books and pulbications in limited quantities.

9621/12899
CSO: 4006/789

INDUSTRY

SHIPBUILDING INDUSTRY SETS NEW RECORD

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 15, 21 Apr 86 p 25

[Article by Zhong Chuan [6988 5307]: "China's Shipbuilding Industry Expands During Downturn in World Shipping"]

The world shipping industry at present is in a depressed state. This has led to a downturn in the shipbuilding industry, yet China's shipbuilding industry, which has been in existence only 100 years, has expanded in the midst of the downturn.

In 1985, the China Shipping Industry Co.(shortened below as China Shipping) completed its plans to construct ships totaling over 700,000 tons. This is an increase of 61.88 percent over 1984 and sets a new historical record. Between 1981 and 1985, this company built ships which totaled more than 2.7 million tons. Among its ship products, the average annual increase in civil ships was almost 20 percent. More than 70 civil ships in the 10,000-ton-plus class were completed, totaling approximately 1.6 million tons. The average annual increase was 30 percent. During these 5 years, diesel engines with a total horsepower of more than 2.5 million hp have been produced. The average annual increase exceeded 5 percent. Between 1981 and 1985, there was an increase of 17 percent in navigational instruments and equipment. During the 5 years, seven offshore oil exploration rigs were completed.

During the 5 years, China's ship exports entered a new period of expansion. Beginning in 1980, when it began to accept contracts to build ships for export, a total of more than 120 civil ships and 3 drilling rigs have been contracted for. Most of the ships and rigs have already been completed. With the additional export of spare ship parts and equipment, the total value of the exports exceeds $1 billion. Construction of ships for export strengthens the ties between China's ship industry and the world shipbuilding industry. It also clearly raises the management and technical standards, as well as quality, of China's shipbuilding.

Annual shipbuilding production at China Shipping almost doubled during the 5 years, moreover, it increased steadily. There are many reasons for this accomplishment.

Economic growth has been rapid, and demand in the domestic market has been large. Aside from the construction of ships for export, there was a steady increase of orders for ships to be used domestically, which contributed to the expansion of the ship industry. From the 1950's, China's shipbuilding industry produced ships primarily for freight use. But beginning in 1979, China's shipbuilding industry began to shift from freight to civil. According to incomplete statistics, since 1979 this company has produced more than 1.3 million tons in ships for use by transportation departments.

Technical standards in shipbuilding have been high, the quality has been good, and users have praised the ships highly. China Shipping is China's largest shipbuilding enterprise. It has factories and berths for building ships in the 10,000-ton-plus class. The company has 300,000 workers and staff. Its technical capacities are sophisticated and its shipbuilding equipment advanced. It has more than 30 scientific research institutes with advanced equipment. Shipbuilding technology has broken through in some critical areas. Last year, high-efficiency ship welding standards rose from 13 percent up to about 20 percent. Electronic technologies already are in ship plans. There has been improvement in shipbuilding, in machine- and lathe-building, and in production management. Applications of 12 integrated-systems research projects have shown promising results; results from some have already been used in production. This provides dependable support for construction of large-scale, comprehensive ships. Last year, the company exported 4 ships in the 10,000-ton-plus class, and signed export contracts for 20 more. Each ship is built under the supervision of international inspectors. The more than 20 countries and regions that have purchased the 10,000-ton ships have all received favorable evaluations from passengers.

The company's main shipbuilding enterprises have invented new ship equipment and technology and have digested imported technology, contributing to the technical advance of the ship industry. Among new ship designs developed, last year there were technical advances made in research projects involving 26 varieties of new kinds of ships. Some projects have had relatively good economic results; 35,000-ton coal freighter is economically 30 percent more efficient than the present type.

The completion time in shipbuilding has steadily been shortened. When building ships for export, construction follows the demands of international standards. After the ship is constructed, it must past through oceanic tests to prove that its quality is good. Domestic ship construction also strives to follow international standards. This not only improves quality, it also shortens the time involved in shipbuilding turnover. At present in China, the fastest time in berth for building a 20,000-ton freighter is 1 and 1/2 months. The total period is 11 and 1/2 months, which is 3 to 4 months shorter than the time needed for building the same class of ships in the past.

During the period of the Sixth 5-Year Plan, China's container shipping, cargo shipping, and especially ore shipping all expanded significantly. Coal shipping and passenger traffic along the coast also had rapid increases.

Therefore, during this period China's fleet expanded further, adding many large-scale, economical cargo ships, new container ships, and passenger ships. During the period of the Seventh 5-Year Plan, the prospects for China's ship industry are excellent. The industry has a broad domestic market. In addition, China's ship exports still do not occupy a large place among world ship orders, thus there is a great potential for further expanding ship exports. With the additional increase in demand for offshore oil rigs and all kinds of auxiliary boats, this will open another important production area for the ship industry.

During the Seventh 5-Year Plan, the policy for expanding China's ship industry is as follows: the domestic market will be primary, but exports will be actively promoted. Management will take many different forms. The main tasks are opening the domestic and export markets. In ship exports, more flexible methods will be used, costs will be reduced, the quality and functions of the ships will be improved, and more orders will be sought. While steadily increasing the quantity, quality, and variety of ships, much effort will be put into developing products other than ships and increasing the relative proportion of such products.

During the Seventh 5-Year Plan, communications and shipping are key development priorities of the state. In water transport, the main priorities are in foreign trade shipping, energy shipping, and tourist transport. China plans to add the following ships: self-discharging coalers transports, shallow-draft, large-capacity cargo ships, and passenger ships for use on short-distance oceanic routes. The purpose of adding these kinds of ships are to reduce the investment needed for new coal-loading facilities at harbors, to permit large-capacity ships to be able to directly enter the mouth of the Chang Jiang, to expand direct shipments between rivers and sea, to reduce crowding at passenger docks, and to increase the utilization rate of deepwater berths.

12994/12851
CSO: 4006/1015

INDUSTRY

FUJIAN ACHIEVES BALANCED INDUSTRIAL GROWTH IN FIRST QUARTER

Fuzhou FUJIAN RIBAO in Chinese 14 Apr 86 p 1

[Article by Fujian Economic Commission's Industry Bureau: "Fujian Industry in Balance in First Quarter"]

[Text] During the first quarter of this year, Fujian's industry continued balanced growth, following the relatively rapid growth for the same period in the previous year. The total value of industrial output increased 6 percent over the same period last year. The quantity of primary industrial products increased, quality improved, costs declined, so improved economic returns were obtained.

The highlights of production during the first quarter were the following: 1. Energy supplies increased significantly. Electric power increased 23.3 percent over the same period last year. Raw coal increased 3.6 percent. The increase in energy production provided excellent conditions for industrial production. 2. Production of raw materials and products that have been in short supply increased significantly. Caustic soda, calcium carbide, plastics, cement, lumber, nonferrous metals, and other items increased more than 10 percent. 3. The expansion of light industry production provided the market with comparatively sufficient quantities of goods. Production of more than 10 important light industry products increased over 10 percent. 4. Economic returns in industrial enterprises increased. During the first quarter in Fujian, production by state enterprises in the budget increased 6.3 percent, realizing profits that increased 10.7 percent. Treasury receipts from taxes and profits increased 9.3 percent. Fujian's foreign exports, primarily industrial products, increased 48.5 percent over the same period last year. The main economic indicators all exceeded the rate of growth in industrial production.

Most recently, the provincial economic commission has asked that all workers and staff who work in industry and communications to take care in planning for industry and communications in the second quarter. While maintaining quality, producing goods that address market demand, and increasing returns, there should be a relatively faster growth rate. During the first half of the year, approximately one-half of the year's targets should be completed.

12994/12851
CSO: 4006/1015

INDUSTRY

JIANGSU FILLS OUT CONSUMER PRODUCT LINES

Beijing RENMIN RIBAO in Chinese 26 Apr 86 p 2

[Article by Li Qian [2621 5409]: "Jiangsu Introduces New Light Industrial Products"]

[Text] Jiangsu's light industries, while introducing new products, are paying attention to the varying needs of consumers. They are improving both the variety found in markets and the living standard. Enterprises are also securing self-autonomy more quickly. During the past 2 years, Jiangsu's light industry enterprises have experimentally produced 14,000 kinds of new products, worth 1.4 billion yuan.

While conducting market surveys and analyzing consumer trends, Jiangsu's light industry departments have discovered that consumer awareness and consumption patterns have changed greatly, following the rise in living standards. The popular consumer demand is for new and original and high-quality products. Thus, light industry departments are asked to produce more daily-use products that are new, original, and of high quality. The following measures have been adopted by Jiangsu's light industrial enterprises:

With the most well-known and top-quality products featured, products lines have been expanded and filled out completely. At present, Jiangsu's light industry produces 56 kinds of produces that have won gold and silver quality awards from the state; 252 kinds have been designated as superior products by the ministry; 592 kinds have been designated as superior products by the province. They have widely promoted these famous products, and have expanded production with diversification and with additions that form a complete product line. The product line has high-quality products needed by consumers who have large incomes, and it also has the lesser quality products needed by consumers whose incomes are not as large. The Golden Lion bicycle line has men's, women's, and children's bicycles of varying grades, qualities, and colors. By offering a range in quality and price, the all needs of consumers with different standards can be met.

Handicraft products have been made more practical, household articles have been diversified, and the scope of production of household and small commodities has been expanded. Jiangsu is one of the primary producers of small commodities in the country. Suzhou's hardware enterprises produce some 2,000 kinds of diverse products which are highly regarded by consumers, including every variety of knife, scissors, lock, and ruler.

A network of retail and market news has been set up. Timely coverage of market trends permits enterprises to target new products. The Xuzhou Thermos Factory gathers market news from more than 540 points around the country, which regularly supply fairly accurate market information. Following the information that they have received, they have experimentally produced 14 new products, which have sold well everywhere.

Local specialities in science and technology have been used to increase the introductory appeal of new products. During the past 2 years, the Zhenjiang Plastics Industry Co. has signed agreements for technical and economic cooperation with the Jinling Petrochemicals Co., Shandong's Jilu Petrochemicals Co., Nanjing University, and other units. During 1985, it completed 20 new products, increasing the value of production by 4.5 million yuan and profits by more than 440,000 yuan.

12994/12851
CSO: 4006/1015

ECONOMIC COOPERATION WITH AUSTRALIA VIEWED

Beijing LIAOWANG [OUTLOOK] in Chinese No 22, 2 Jun 86 pp 7-8

[Article by Zhu Minzhi [2712 2404 0037]: "Australian Leader's Visit to China; Visit Strengthens Bilateral Ties"]

[Excerpt] High on the agenda of Prime Minister Hawke's latest visit was the development of bilateral economic cooperation. While he was in China, there was a succession of favorable reports on the results of such cooperation. The two countries signed a comprehensive agreement on a joint venture, the Portland Aluminum Plant; a contract on the Jiangao Wool Spinning, Ltd., also a joint venture; a plan for the promotion of technical cooperation; two memorandums, one concerning the General Agreement on Tariffs and Trade, and the other on the control of diseases caused by a lack of iodine; and an agreement on the joint establishment of a wool warehouse in Nanjing. On 24 April, the International Wool Spinning Company, Ltd., a Chinese-Australian joint venture in Zhangzhou, was opened. These seven instances of cooperation in just 5 days testify to the big stride forward in Chinese-Australian relations.

Chinese-American economic cooperation, limited to agriculture a few years ago, has now been broadened to include such new territories as iron and steel, wool, transport, nonferrous metals, manufacturing, light and textile industries. The methods of cooperation have also become increasingly diversified, including joint ventures, enterprises wholly owned by Australian capital, Chinese investments in Australia and Australian investments in China. From 1982 through 1985, over 20 joint venture agreements were signed by Chinese and Australian enterprises.

In his talks and meetings with Chinese leaders during his trip, Hawke was especially concerned to explore the ways and means of strengthening bilateral economic relations. The Chinese side praised Australia's position on the world economy and North-South relations. They believed that as far as economic cooperation is concerned, there is much China and Australia can do to supply what the other lacks and make up each other's deficiencies and that the prospects are bright.

Bilateral trade has grown rapidly in recent years. Already China is the fifth largest market for Australian goods while Australia is China's sixth largest trading partner. The total value of Chinese-Australian trade reached $1.2 billion in 1985.

A current concern is the longstanding trade deficit China has been running up with Australia. Hawke said that Australia understands China's concern about the deficit and the importance of increasing Chinese exports to Australia. The Australian Government would continue to carry out its plan to help China step up exports to Australia.

12581/8309
CSO: 4006/1188

FOREIGN TRADE AND INVESTMENT

BRIEFS

1986 FOREIGN INVESTMENT IN FUJIAN--Fujian signed 33 contracts entailing foreign investment in the first 4 months of this year of which 18 are joint-ventures using Chinese and foreign investment, 12 are Chinese/foreign contractual joint-ventures and 3 are enterprises to be operated exclusively with foreign capital. The contracts stipulate a total foreign business investment of U.S.$26,970,000. A new focus in Fujian's use of foreign investment this year has been to increase productive items and reduce non-productive items. Of the 33 contracts signed, only 2 were for non-productive items. [Excerpt] [Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 19 Jun 86 p 1] /6662

EUROPEAN ECONOMIC, TECHNICAL COOPERATION--The Association for Sino/European Economic and Technical Cooperation was established in Beijing on 30 May 1986 as a non-governmental, non-profit organization and legal entity whose participants belong on a voluntary basis and include state organizations, enterprises, academic research organizations, and mass organizations. Its purpose is to provide a link between Chinese and European economic enterprises and organizations and to advance all forms of economic and technical cooperation. Among those present at the first meeting were State Councillor Zhang Jinfu and MFERT director Zheng Tuobin. Li Ke was appointed director. [Excerpt] [Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 2 Jun 86 p 1] /6662

CSO: 4006/1178

TRANSPORTATION

ANHUI'S GOALS FOR TRANSPORTATION, COMMUNICATIONS GIVEN

Hefei ANHUI RIBAO in Chinese 17 Apr 86 p 1

[Article: "Speed up Transportation Modernization. Create Conditions for Anhui's Soaring Economy. All-Provincial Transportation Working Conference Puts Forth Objectives to Struggle for During the Seventh 5-Year Plan. Decisions to Accelerate Backbone Transportation Projects, Basic Installations. Focus on Construction of Highways, Bridges, Ports, Waterways, and Stations to Perfect Anhui's Communications and Transportation Structure and Layout."]

[Text] Recently, a provincial transportation work conference put forth objectives to struggle for during the Seventh 5-Year Plan in the development of Anhui's communications and transportation undertakings. The realization of these objectives will play a large role in expediting Anhui's economic development.

Since the founding of the PRC, undertakings in Anhui's communications and transportation have made immense gains, especially during the Sixth 5-year Plan when Anhui built new or transformed 8,000 kilometers of highways, dredged six major waterways, constructed a group of new ports and stations, thereby completing local transport and passenger volume planning two years ahead of schedule. But basic installations in Anhui's communications and transportation still lag far behind the needs of the national economy and social development.

To mend some of the weak links in communications and transportation, the Provincial Department of Communications, while arranging planning for the Seventh 5-Year Plan, and proceeding from the overall strategy of Anhui's economic and soical development as well as from development of its northern and southern areas, areas along the Chang Jiang, and the construction and layout of the Hefei Science and Technology Center, it has decided to expedite construction of backbone transportation projects and basic installations, with major emphasis on construction of highways, bridges, ports, waterways and stations. These projects must be given financial and material support so as to perfect the modernization of Anhui's communications and transportation structure and layout.

On the subject of highway modernization, the province will build 4,700 kilometers of roads; repair or upgrade 4,900 kilometers of roads; give priority to modernizing two north and south highways that link up the province's territory; widen and repair 18 main highways that extend from Hefei to various points; continue construction on and start construction of seven bridges: the Bangbu Huaihe Bridge, Fuyang Yinghe Bridge, Hangbuhe Bridge, Xinbianhe Bridge, Guxihe Bridge, and the Qianshan Cheshuisi Bridge. By the end of 1990, the total length of roads throughout the province will have increased to 34,000 kilometers, up from 26,988 kilometers in 1985. Graded roads will have increased to 28,000 kilometers, up from 20,246 kilometers at present.

During the Seventh 5-Year Plan, Anhui will dredge seven major waterways, making 500 kilometers of waterways more navigable, of which 248 kilometers will be upgraded. Emphasis will be laid on development of three waterways: the Nanfei He on the Heyu route; the Xifei He on the Huaishen route, and the Peihuai He, and efforts made to complete four double passage locks at Congyang, Huayang, Dasiji and Yangqiao, enabling a definite improvement in inland river navigation conditions.

Regarding port and station construction, Anhui will modernize 10 major stations including Wanhu, Anqing, Hefei, Chaoxiao, Lujiang Gap, Bengbu, and Huainan; construct 15 docks and 30 berths, bringing the new throughput capability to 20 million tons, and remodel six inland river passenger terminals; build 13 new bus stations at local and municipal levels including Anqing and Chaohu, and nine bus stations at the county level including Jinzhai and Dangshan to provide quality facilities for passengers.

In concern with strengthening basic installation construction, it was also decided to add and refurbish 9,000 transport vehicles and 2,500 trailers and add and renovate 230,000 tons of transport ships and 2,800 passenger seats to satisfy needs as freight and passenger volume rapidly increase.

12888/12795
CSO: 4006/1005

END

JPRS-CEA-86-095

14 AUGUST 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-095

14 AUGUST 1986

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Song Longxiang Explains Purpose of Ma Ding Article
(Gu Peitang, Fang Yanming; WEN WEI PO, 27, 28 May 86).... 1

ECONOMIC DEVELOPMENT ZONES

Shanghai Economic Zone Meeting in Hangzhou
(Jiang Ping, Liu Zhengui; XINHUA, 15 Jul 86)............ 5

ECONOMIC MANAGEMENT

Nei Monggol's Economic Situation Described
(Li Guangjian; NEI MENGGU RIBAO, 8 Nov 85)............... 7

MINERAL RESOURCES

Ferromanganese Nodules in Offshore Areas of China
(Zhu Erqin, Wang Qi; DIZHI LUNPING [GEOLOGICAL REVIEW], No 5, Sep 85).. 10

Briefs
Gold Mining in Jiangxi 22

INDUSTRY

Machine Building Industry Sixth 5-Year Plan Achievements
(ZHONGGUO JIXIE BAO, 2 Jan 86).......................... 23

Campaign Planned To Assist Depressed Motor Vehicle Industry
(Xu Yuanchao; CHINA DAILY, 18 Jul 86)................... 26

Sichuan Meeting Discusses Tasks for Industry
(Sichuan Provincial Service, 8 Jul 86).................. 28

Hubei Economic Commission Reveals Industry Growth
(Hubei Provincial Service, 11 Jul 86).................... 29

JINGJI RIBAO on New Situation in Textile Industry
(Deng Zhongyuan; JINGJI RIBAO, 14 Jun 86)............... 31

Qinghai Boosts Gross Industrial Output Value
(Qinghai Provincial Service, 14 Jul 86).................. 35

Briefs
- Guangdong Industrial Growth 36
- Guangdong Light Industry 36
- Jilin Truck Production 36
- Iron, Steel Industries Profits 37
- Shandong Light Industry 37
- Record Sichuan Industrial Output 37
- Sichuan Iron Mines 37
- Guizhou Industrial Performance 37
- Hainan Industrial Production Increases 37
- Shaanxi June Industrial Output 38
- Jilin Industrial Output Value 38
- Tianjin Industrial Output 38
- Guangdong Industrial Production 38
- Gansu Industrial Production Increase 38

DOMESTIC TRADE

Ningxia's Cooperation With Coastal Regions Report
(Shi Haibo; RENMIN RIBAO OVERSEAS EDITION, 21 Dec 85).... 39

Shanghai Products Face Challenge From Other Cities
(XINHUA, 14 Jul 86)...................................... 40

FOREIGN TRADE AND INVESTMENT

Special Features of China's Foreign Trade
(Zheng Tuobin; CHING-CHI TAO-PAO, No 14, 14 Apr 86)...... 41

Conference on Foreign Capital Opens in Nanning
(Guangxi Regional Service, 15 Jul 86).................... 44

Sichuan Establishes Group for Foreign Contracts, Manpower Export
(Sichuan Provincial Service, 11 Jul 86).................. 46

Foreign Trade Development in Wuhan Reported
(CHANGJIANG RIBAO, 25 Oct 85)............................ 47

Foreign Trade Activities in Shanghai's Suburban Counties (Sun Hongxiang; RENMIN RIBAO OVERSEAS EDITIONS, 31 Dec 85) 48

Increase in Handicraft Exports Planned for 1986 (Bai Changhui, Feng Xiao; RENMIN RIBAO OVERSEAS EDITION, 23 Dec 85) 50

Fujian Establishes Open Economic Zones on Four Levels (Shen Jiqing; WEN HUI BAO, 21 Apr 86) 52

Economic, Technological Exchanges Between Fujian, Macao Flourish (ZHONGGUO XINWEN SHE, 15 Jul 86) 54

Briefs

Zhejiang 1985 Exports 55
Eastern European Textile Exports 55
Jiangsu's 1985 Exports 56
Heilongjiang Export Plan 56
Joint Venture Enterprises Increase 56
Tianjin Foreign Trade Symposium 56
Tianjin Heating Project 57

SPECIAL ECONOMIC ZONES

LILUN YUEKAN Article Urges Deepening Reform (Liang Xiang; LILUN YUEKAN, No 6, 25 Jun 86) 58

GUANGMING RIBAO on Shekou Economic Reform (Yuan Geng; GUANGMING RIBAO, 21 Jun 86) 69

Shenzhen Controls Capital Construction (ZHONGGUO XINWEN SHE, 13 Jul 86) 75

Briefs

Shenzhen's Economy Growth 76

POPULATION

Beijing Review Stresses Population Control (Xin Lin; BEIJING REVIEW, 14 Jul 86) 77

Beijing's Temporary Resident Population Doubles (XINHUA, 15 Jul 86) 80

Urbanization of China's Population Since 1950's (Wei Jinsheng; RENKOU YU JINGJI [POPULATION AND ECONOMICS], No 6, 26 Dec 85) 81

HONG KONG

Hong Kong's 1985, 1986 Economy Discussed
(Fu Zhu; JINGJI DAOBAO [ECONOMIC REPORTER],
1 Jan 86)... 95

/12223

NATIONAL POLICY AND ISSUES

SONG LONGXIANG EXPLAINS PURPOSE OF MA DING ARTICLE

Hong Kong WEN WEI PO in Chinese 27, 28 May 86

[Article by reporters Gu Peitang [7357 1014 2768] and Fang Yanming [2455 1693 2494]: "Ma Ding Explains Purpose Of Article"]

[27 May 86 p 7]

[Text] On 2 November 1985, GONGREN RIBAO published an article by a young philosophy instructor at Nanjing University writing under the pseudonym, Ma Ding. Because the article, titled "Ten Major Changes in Contemporary Chinese Economic Research," (hereafter referred to as "Changes") directly touches upon the current effort to restructure the economic system, it caused an uproar among economists and theoretical workers and in the news media and publishing circles at home and abroad. Hence the so-called "Ma Ding controversy." Now the controversy has subsided. Why did he write the article? What will he be up to next? What inspiration has the article given us? With these questions in mind, we interviewed Ma Ding, the man in the news.

Spring Is In The Air

Ma Ding, whose real name is Song Longxiang [1345 7893 4382], was born into a peasant family in Dafeng County in northern Jiangsu in 1957. He was admitted into the Philosophy Department of Nanjing University in 1977 and became a graduate student of Professor Sun Bai... [1327 0130 ...], the famous expert on the history of Marxist philosophy, in 1981. Although we had never met before, we felt like old friends instantly and talked and laughed freely. He said humorously, "It is all over now. Earlier this year, some people at home and abroad called the article an impurity that should be discarded. If we refer to all that talk as a cold front in early spring, we should now say spring is very much in the air."

Economic Reform Praised

Asked why he wrote "Changes," Song Longxiang said, "There is absolutely no truth to the suggestion in some papers that 'Changes' was written merely to kill time. Even more groundless was the suggestion that I 'threw a hand grenade in Nanjing, which resounded in Beijing.' All this distorts the writer's original intent. The purpose of the article was as serious as its subject matter." Song Longxiang believes that the restructuring of China's economic system is the greatest experiment in China's economic history and the most profound social revolution China has ever experienced. And it is exactly the pounding of the powerful current of economic reform that has caused drastic, fundamental changes in the subject, methods, emphasis and direction of economic research in China. "After years of hard thinking, I concluded that it is economic reform that has prompted the drastic changes in economic research and that it is developments in the real world that has made possible theoretical breakthroughs. I also realized that the changes have much more than theoretical significance: They also suggest the heightened applicability of economic science. By reacting to reality, economic theory becomes genuinely capable of providing valuable strategic and policy guidance for the practice of economic reform. It is absolutely critical that this kind of change be brought home to economic theoretical workers." And that is why Song Longxiang put pen to paper, summarizing the changes in a broad context and describing them objectively, at the same time fully affirming their positive significance. Such was his aim in writing "Changes."

Article Exported And Re-Imported

Song Longxiang began work on his article last August, finished it in late September and sent it to GONGREN RIBAO in early October. Its publication caused strong social reactions. Within days, BEIJING ZHOUBAO carried it in the 49th issue of its English and Japanese editions. Next day the Japanese news agency excerpted it and quoted it out of context. Its dispatch said that the article "criticized 'Capital' as having lost its applicability." Almost immediately the article came under fire from Japanese newspapers, including ASAHI SHIMBUN. Later, ZHONG BAO in New York, basing itself on Japanese press reports that distorted the writer's original intent, wrote an editorial critical of "Changes." Some people in the domestic theoretical circles also toed ZHONG BAO's unrealistic line of argument and took "Changes" to task. In this way the article traveled around the globe and caused a storm everywhere it went. As Song Longxiang said, this was certainly not what he expected.

[28 May 86 p 7]

[Text] Today the line of thinking in the article has been affirmed by and earned the serious attention of people from all circles in the nation. But Song Longxiang has not let this go to his head. He sad, "The drastic changes in economic research in recent years are totally unprecedented in their scope, rapidity and significance. Despite the hard thinking I have had in the past few years, it has been a research project of daunting magnitude to me to summarize them without any omission, analyze them in depth and evaluate them fairly and accurately. Also, this article is my first foray into the economic field, so mistakes and shortcomings are unavoidable. This is still an immature work. I earnestly hope that people will comment on it and point out any errors."

He also noted an abnormal situation which has been in existence for some time. If a certain article comes under criticism, the writer loses the right to defend himself and refute the criticisms. But if an article is approved, critical comment cannot make it to the press. Only through academic debate and discourse can science flourish and develop. To intervene administratively in academic disputes will only lead to the withering of science.

Significance Of "Ma Ding Controversy"

The "Ma Ding controversy" is significant not because it offers us a summary of the current state of economic research in China, but especially because the whole episode, from beginning to end, has set people thinking. Nanjing University, where Song Longxiang teaches, showed a good deal of concern for him and was very protective toward him. The university convened several seminars at which very sound suggestions were made. Vice President Yu Shaoyi [0151 4801 5939] once observed that Nanjing University teems with talent. In the 1960's, Chairman Mao Zedong had high praise for the article on Mao Dun [4243 4163] by Comrade Liu Linyuan [0491 2651 0337] of our Philosophy Department. In the 70's, Hu Fuming [5170 4395 2494] from the same department coauthored "Practice is the Only Test of Truth" which sparked off a debate on the criteria for determining truth and gave impetus to the ideological liberation movement. In the 80's, young Song's article, "Changes" takes reality as its point of departure and keenly captures the new conditions borne of the vast changes in society. From a philosophical perspective, it grasps the essence of the changes at different levels and identifies 10 major shifts. This article has become the focus of attention in all quarters in society. Many sound constructive proposals were made at the seminars in Nanjing University. It is widely agreed that through the "Ma Ding controversy," a conscientious effort must be made to review our experience and improve the leadership of academic research. Management of theoretical workers must be based on laws and theoretical workers should be allowed to make mistakes and correct them in the course of their work. For their part, theoretical workers should be selfless and fearless. They should have the courage to adhere to the truth and correct mistakes.

Right now, this is what is happening: when an achievement in natural science obtains recognition abroad, its prestige soars at home. But when a paper in philosophy or social science is acclaimed, its author will find himself in deep trouble and be denounced as "enjoying the support of such and such people." He will not fare any better even if his work is criticized abroad, for then they will say "it does not even appeal to the bourgeoisie." When it is simply ignored elsewhere, then his crime is "failing to reach advanced international standards." If this state of affairs is not changed, our philosophy and social science research will only take its cue from foreigners in many cases. So, how to orient social science toward the world warrants a long, hard look on our part. Most important, we should be independent and chart our own path.

Many Questions Remain To Be Analyzed and Answered

We asked him, "You have just entered society and already your very first work caused such a sensation. What are your plans for the next move?" A contemplative Song Longxiang said, "'Changes' is only a preliminary synopsis of the present state of economic research in the nation. Many questions await further analysis and investigation."

"For instance, has the theoretical summary been comprehensive? Do the theoretical changes have only positive significance? Given the shifts from critical economics to constructive economics, from the qualitative analysis of economics to its quantitative analysis, from theoretical economics to applied economics, does it mean that we no longer need to delve more deeply into the former group of conditions? In this sense, 'Changes' has left me some questions that have to be looked into and answered in detail in another paper. That will be my next project which I expect to complete after some further research."

12581
CSO: 4006/1091

ECONOMIC DEVELOPMENT ZONES

SHANGHAI ECONOMIC ZONE MEETING IN HANGZHOU

OW160541 Beijing XINHUA Domestic Service in Chinese 1150 GMT 15 Jul 86

[By ZHEJIANG RIBAO reporter Jiang Ping and XINHUA Reporter Liu Zhengui]

[Text] Hangzhou, 15 Jul (XINHUA)--The Shanghai Economic Zone will do away with the old rigid economic structure, extensively develop lateral economic ties, and make full use of its many favorable conditions in order to gradually form an open and interconnected economic zone with support from large and medium-sized cities.

This was decided at the third conference of governors and mayors of the Shanghai Economic Zone held in Hangzhou from 10 to 13 July. At the conference, principal responsible persons of Shanghai, Jiangsu, Zhejiang, Anhui, and Jiangxi reviewed the economic zone's situation in the first half of the year, analyzed problems arising during the supersession of the old economic structure by a new one, and fully discussed the question of how to more effectively carry out economic structural reform. [Shanghai City service in Mandarin at 0000 GMT on 16 July carries a 2-minute report on this conference and mentions provincial governors Xue Ju, Gu Xiulian, Wang Yuzhao, Jiangxi Vice Governor Jiang Zhuping, and Shanghai Mayor Jiang Zemin as attending]

The conference stressed: The Shanghai Economic Zone should work out its development strategy according to the country's overall situation and the actual conditions of Shanghai, Jiangsu, Zhejiang, Anhui, and Jiangxi; it should formulate economic plans with priorities appropriately assigned. Efforts should be made to develop various forms of economic and technical cooperation and to promote economic association. It is necessary to make unified planning and coordinate closely with one another in solving contradictions and problems arising from economic activities. The conference decided that principal responsible persons of Shanghai. Jiangsu, Zhejiang, Anhui, and Jiangxi as well as of the office in charge of planning for the Shanghai Economic Zone meet regularly.

Those attending the conference earnestly discussed construction in the old revolutionary base areas of the Shanghai Economic Zone. For various reasons, these base areas, which made great contributions in the revolutionary war, have economically developed at a rather slow pace, their rich resources have not yet been fully exploited, and their commodity economy is very underdeveloped. It is necessary to take positive measures to accelerate the economic construction of these old revolutionary base areas, which have great significance in the development of the Shanghai Economic Zone.

The conference in principle adopted the "constitution of the Economic Zone," approved a "proposal to set up the Shanghai Economic Zone Committee for the construction of old revolutionary base areas," and exchanged views on an "outline of the strategy for the development of the Shanghai Economic Zone."

/8918
CSO: 4006/1184

NEI MONGGOL'S ECONOMIC SITUATION DESCRIBED

Hohhot NEI MENGGU RIBAO in Chinese 8 Nov 85 p 4

[Article by Li Guangjian [2621 1638 1696]: "Now is One of the Best, and one of the Most Crucial of Times"]

[Excerpt] The present situation in Nei Mongol, like in the rest of the country, is the best in history after the founding of the autonomous regions. This fine situation is shown mainly as follows:

First, the economy in the region, like in the rest of the country, is presenting a new spectacle of sustained, stable and harmonious development. In the year of the 3d Plenary Session of the 11th CPC Central Committee, the total output value of the state-owned industrial enterprises with independent accounting reached 3,930 million yuan, an all-time high. Since then, the situation has improved every year, and in 1984, based on the constant prices of 1980, the total output value amounted to 6,790 million yuan, 1.7 times that of 1978. In the 4 years from 1981 to 1984, the average annual increase was 11.12 percent. The targets set in the Sixth 5-Year Plan for the output of timber, cement, generated power, pig iron, plate glass, salt, sugar, TV sets and 16 other industrial products were fulfilled ahead of schedule. The economic results were also markedly increased along with the increased speed of output, and there were simultaneous increases in output value, taxes and profits, and national revenues. In 1979, the state-own industrial enterprises with independent accounting in the region made a net profit of 207 million yuan, then the highest record in history. Since then, however, there has been a large increase every year. This was an unprecedented performance since the founding of the People's Republic. The local revenues amounted to 690 million yuan in 1978, and exceeded 846 million in 1984. In 1982-1984, the average annual increase was 26.8 percent.

Second, along with the high increase in productive capacity, the foundation of industry was further strengthened. The number of state-owned and collective enterprises in the region now is basically the same as that in 1978. Since the consolidation and reform, however, these enterprises have made great improvement in the performance of workers and management, and the productive capacity for the major products has been increased by a fairly wide margin. In 1984, compared with 1980, steel output increased 30.8 percent; cement output increased 26.7 percent; timber output increased 5 percent; the number of small tractors increased 2.9-fold; that of TV sets increased 16.9-fold; and the operational mileage of railways increased from some 3,800 km in 1978 to more than 4,800 km. In railway transportation, cargo traffic in 1984 was 1.28 times and passenger traffic was 1.58 times that of 1978. Coal production in the region rose from some 21 million tons in 1978 to more than 27 million tons in 1984, a 24.9 percent increase. Power generation was increased from some 3.7 billion kwh in 1978 to more than 6.9 billion kwh in 1984, an 84 percent increase.

Third, new progress was made in science and technology. Thanks to the concern and support of the party Central Committee and the attention of the regional party committee and the people's government, science and technology have developed very rapidly in the past several years. In addition to the establishment of specialized scientific and technological organs fully staffed with various types of scientific and technical personnel and the formulation of programs for scientific and technical progress, investment in scientific and technical development was also greatly increased. In 1984, the investment in the technical renovation and transformation for the state-owned enterprises and in other projects amounted to more than 800 million yuan, and 813 projects of technical transformation projects were completed for the state-owned enterprises as provided for in the state budget. In addition, 46 items of technologies were imported and arrangements were made for 115 varieties of new products to be produced. Among these new products, 50 of them have reached advanced national standards.

Fourth, finance and trade have also presented a new appearance with a thriving market and brisk transactions. In 1978, the total volume of retail sales in the region amounted to only some 3.6 billion yuan, and in 1984, it was increased to more than 6.8 billion yuan. Individual peddlers and village fairs are doing good business as a valuable aid to the state sector of commerce. At the same time, foreign trade has also undergone great development. In 1984, the value of import and export commodities amounted to more than $10 million. The total value of imports was 1.74 times and that of exports was 2.96 times that of 1980.

Economic development in the region had a good start this year. In the first 9 months, the industrial enterprises in the region that were included in the budget achieved a total output value of more than 6.7 billion yuan, 77.32 of the planned figure of the whole year. The performance of these enterprises had the following characteristics: a balanced development of production, a steady increase in energy output, the rapid growth of the light and electronic industries, good economic results, the above-quota output of durable consumer goods and basic raw materials in the processing industry, improved quality, the production of brand-name products (as recognized by the region and the country), the fulfillment of economic targets, the turning of losses into profits by many enterprises, the expected industrial output value in the regional budget of more than 9 billion yuan, and the payment of taxes and delivery of profits totaling more than 870 million yuan.

The development of production has markedly raised the living standards of the people of various nationalities in the region. In 1984, the average annual wages for workers of state-owned enterprises increased 39.78 percent over

1978. In 1984, compared with 1978, according to a sample survey, each 100 city residents owned an average of 49.3 against 7 sets of laundry machines, 72.2 against 30 TV sets, and 26.3 against 7 cassette recorders. The annual income for each peasant or herdsman in 1984 was 2.3 times that of 1979, and their living standards were greatly raised. People of various nationalities are now living happily and an atmosphere of stability, unity and prosperity prevailed over the regions.

9411
CSO: 4006/580

FERROMANGANESE NODULES IN OFFSHORE AREAS OF CHINA

Beijing DIZHI LUNPING [GEOLOGICAL REVIEW] in Chinese Vol 31, No 5, Sep 85 pp 404-410

[Article by Zhu Erqin [2612 5079 0530] and Wang Qi [3769 3823] of the Shandong College of Oceanography]

[Text] Ferromanganese nodules have been discovered in many littoral regions throughout the world since the 19th century, and they exhibit obvious differences from manganese nodules produced in the oceans in their shape, distribution and other characteristics. Clarification of the pecularities, distribution, and formational conditions of these littoral nodules would be of assistance in describing the regularities of transport and rich accumulation of ferromanganese oxides, so the significance of this is quite apparent. This sort of product has been discovered in China's offshore littoral areas in recent years. Ferromanganese nodules were discovered in the East China Sea in 1981 and research was done[1,3]. Afterwards, several researchers reported additional ferromanganese nodules in Beibu Gulf and the South China Sea[4-7]. This article will explore the types, distributional regularities and formational conditions of ferromanganese nodules in China's offshore seas on the basis of these data.

I. Distribution

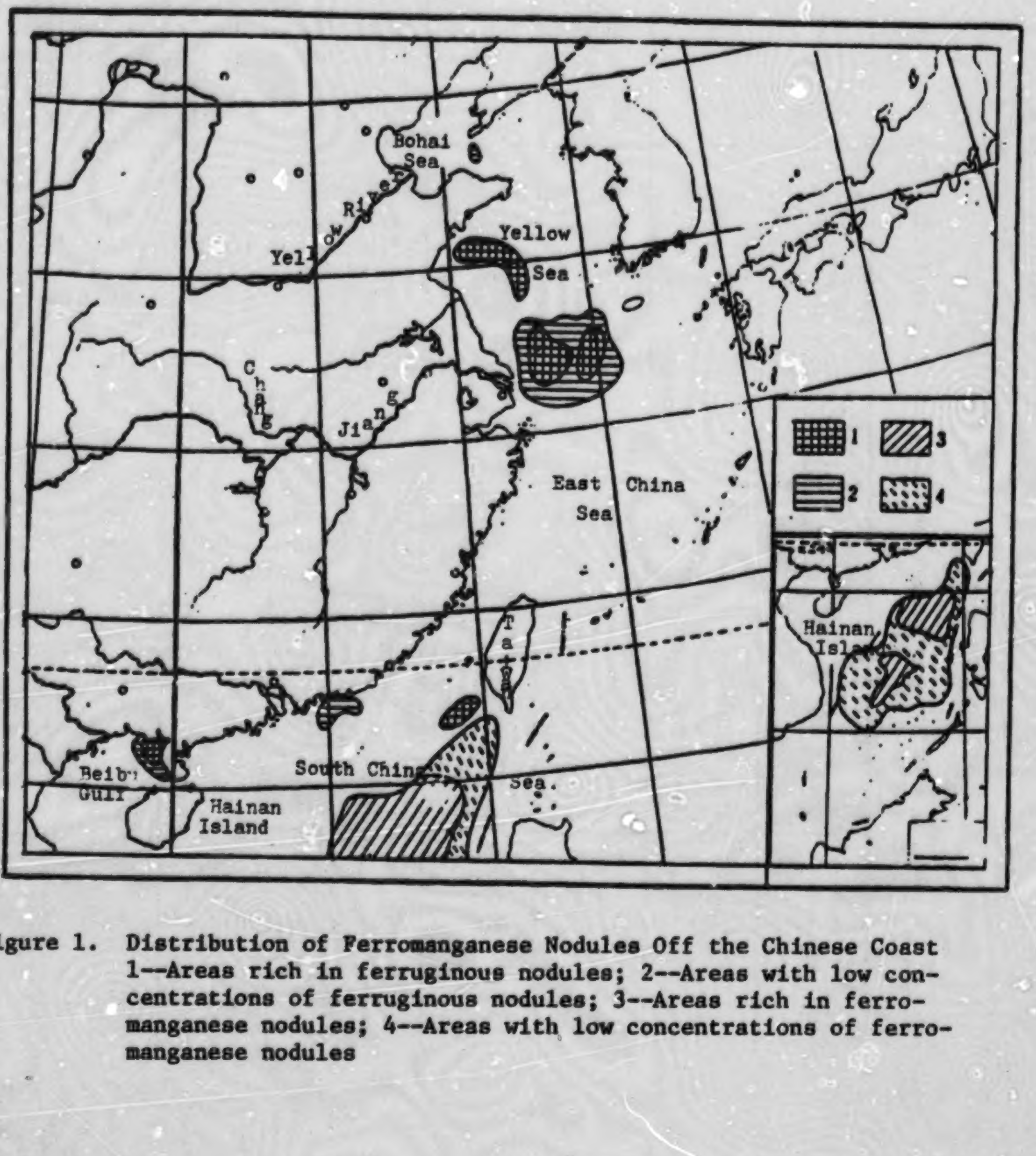
Ferromanganese nodules have been discovered in the Baltic Sea, Barents Sea, Black Sea, Gulf of California, around Japan, Scotland's Loch Fyne, and other places in the world[8,9].

Ferromanganese nodules also were produced in the Bohai Bay, Yellow Sea, East China Sea, and South China Sea (see Table 1). Most of these ferromanganese oxides are found in residual deposit regions (the deposits of these regions were formed during the late Pleistocene stage and still lie bare on the sea floor). The greatest concentration of nodules in the East China Sea is the old Chang Jiang delta (also residual deposits) (see Figure 1). The content of pellet-shaped nodules in decarbonated samples with a particle size $< 1\ \phi$ may reach 6.6 to 30 percent in some locations here[2] and they also occur at other sites. The interior of Beibu Gulf is mostly 15 to 45 meters deep and there is a zone of rich accumulation near Weizhou Island in the northeastern part. The nodules produced in Beibu Gulf are mainly sedimentary surface

Table 1. Characteristics of China's Offshore Ferromanganese Nodules

Sea Region	Primary shape	Individual size	Iron and Manganese content (weight %)		Mineral constitutents	Associated deposits	Source informat
			Fe_2O_3	MnO_2			
Yellow Sea	Kidney-shaped Pellet-shaped	10×7×3cm³ ϕ=0.2cm			Mainly goethite	Brown Rudaceous sands (residual deposits)	[2,3]
East China Sea	Kidney-shaped Pellet-shaped	3×2×0.8cm³ ϕ=0.03—0.5cm	40.43 27.86	0.86 0.88	Mainly goethite with secondary lepidocrocite	Brown fine sand and powdered sand (residual (deposits)	[2,3]
Okinawa Trench	Tumor-shaped	ϕ=1cm or 3.3×1.8×0.6cm³	39.27	5.84	Goethite and 7 Å manganite		[7]
Beibu Gulf	Kidney-shaped Pellet-shaped Flat	ϕ=0.3—0.8cm ϕ=0.1—0.7cm 0.2×1.2×1.3cm³	3—38	0.8—1	Goethite and a small amount of lepidocrocite	Sandy and powdered sandy clays (residual deposits)	[6]
South China Sea Continental Shelf&Slope)	Spherical Encrusted	ϕ1—2.8cm 0.1—0.5mm thick	41.5	35.3	Goethite and manganese oxides	Yellow clays	[4,5]
South China Sea Basin	Nodular Encrusted	ϕ=0.5—4cm	42.77	17.02	Goethite and 7 Å and 10 Å manganite	Medium and fine Foraminafera and Radiolaria	[5]

strata that thin out moving toward deeper areas. The main zones of rich accumulation of ferromanganese nodules in the South China Sea are off the shallow southern Taiwan coast, on the continental slope south of the Dongsha Islands, in the Central Sea Basin, on the southern side of the Zhongsha Islands and at the northwestern boundary of the South China Sea basin. The maximum concentration of nodules in abyssal areas of the South China Sea may reach 2 to 3.15 percent of total deposits and most particles range from 0.032 to 2 mm in size[5].



Bohai Sea
Yellow River
Yellow Sea
Chang Jiang
East China Sea
Taiwan
South China Sea
Beibu Gulf
Hainan Island
1
2
3
4
Hainan Island

Figure 1. Distribution of Ferromanganese Nodules Off the Chinese Coast 1--Areas rich in ferruginous nodules; 2--Areas with low concentrations of ferruginous nodules; 3--Areas rich in ferromanganese nodules; 4--Areas with low concentrations of ferromanganese nodules

II. Categories

The corresponding mineral twin of iron and manganese oxide or hydroxide often is isostructural (such as a goethite-manganese drawing pair). The chemical similarities of this type of crystal assure that these two minerals often are paragenetic in varying proportions. The geochemical differences in the two elements, however, also caused differentiation to occur under different geological conditions. There are significant differences in content between offshore and pelagic ferromanganese nodules and there are specific differences in the nodules from each of the oceans. This requires that they be placed into different categories according to their chemical components. This article will use a four-category method that classifies them into ferruginous nodules, manganese-bearing ferruginous nodules, iron-bearing manganese nodules and manganese nodules (Table 2). Additionally, categories 2 and 3 are combined under the name ferromanganese nodules (with a manganese oxide content of 25 to 75 percent).

The nodules also can be placed into two classes according to their components. The first class is found in offshore residual deposits and should be considered due to residual formational conditions in that they were formed under a continental facies environment where the deposits have been uplifted to a certain degree[2,6]. Another class occurs in rather deep water and has obvious characteristics of authigenetic formation on the modern sea floor.

III. Characteristics

1. Ferruginous Nodules

These nodules are found on the continental shelves of the Yellow Sea, East China Sea, Beibu Gulf and South China Sea and in the Okinawa Trench. Most occur in terrigenous (and/or volcanic) sands or powdered sands.

The highest Fe_2O_3 concentration in these nodules is 87 to 99 percent of the total amount of ferromanganese oxides (Table 3), and the manganese concentration is very low. The manganese/iron ratio in China's offshore ferruginous nodules is usually several tens or several percent. The ratio in oceanic manganese nodules is much higher, and the difference between the two sometimes may reach several grades. Moreover, the trace element content of ferruginous nodules also is low. Most of the ferromanganese nodules produced on most of the continental shelves of the world contain mostly iron[8]. Scotland's Loch Fyne is an obvious exception, however, since it contains manganese nodules that are mostly manganese[9].

These nodules generally are 1) tubercular or kidney-shaped (Photo 1), 2) pellet-shaped, 3) thin plates or plates, and 4) organic internal molds. The pellet-shaped ones are the most widely distributed. The colors are yellow-brown, brown, dark brown and black, with streaks of deep brown. They are gray under the microscope and are aphanatic aggregates.

Table 2. Categories of Ferromanganese Nodules

Category		Iron and manganese oxide concentrations (percentage by weig	
		Iron oxides	Manganese oxides
Ferruginous nodules		100—75	0—25
Ferromanganese nodules	Iron-bearing manganese nodules	75—50	25—50
	Manganese-bearing iron nodules	50—25	50—75
Manganese nodules		25—0	75—100

Table 3. Primary Chemical Constituents of Offshore Ferruginous Nodules (in percent)

Sea region	Shape of nodules	Iron and manganese content					Other constituents					Insolu sedimen
		Fe	Fe_2O_3	Mn	MnO_2	$\frac{Fe_2O_3}{(Fe_2O_3+MnO_2)}$	Mg	Ca	Cu	Co	Ni	
East China Sea	Tumor-shaped		48.43		0.86	98			0.0015	0.002	0.0043	28.44
	Pellet-shaped		27.35		0.88	97			0.003	0.006	0.0072	41.08
Okinawa Trench	Slightly rounded Long plates	37.40	39.27	3.68	5.84	87	6.25	29.52		0.013	0.07	
Beibu Gulf	Tumor-shaped	54.98	38.06	0.38	0.15	99	0.7	0.1	0.004	0.005	0.006	
	Pellet-shaped		78.55		0.63	99	0.44	0.11		0.18	0.08	

Photo 1.

The authigenetic minerals in the nodules are composed mainly of iron oxides, mostly goethite. The X-ray diffraction spectrum reveals that they have weak and dispersed peaks of lepidocrite, so they may contain small amounts of lepidocrite (Figure 2).

Mossbauer spectra indicate that all of the iron in nodules from the East China Sea and Beibu Gulf exists in a valence-3 state. With the exception of some, the Mossbauer spectra of nodules from the East China Sea (Figure 3) contain two curved lines (1 and 2 in Figure 3, for example) that are quadropole-fission dual-line spectra, indicating the particles of iron ore are rather fine. The six-line spectra are wider (3 and 4 in Figure 3, for example), which also indicates that besides iron ore, the mineral constituents also include a certain amount of lepidocrite.

2. Ferromanganese Nodules

These occur mainly on the continental slope and sea basin in the South China Sea. There are richer accumulations in central sea basins than on the continental slope and the accumulations also are richer in the North China Sea basin than in the South China Sea basin. The nodules are rather small (< 2mm in diameter) (Photo 2) and some form micronodules. Rather large ones, however, have been found on the continental slope on the western side of the Dongsha Islands. The nodules from 21°31'07"N, 118°00'04"E were (3.1-3.7) x 3.1 x 2.1 cm. They had microspherical and organic internal mold shapes. Moreover, crustal or membrane ferromanganese oxides may be found in basalt outcrops or on organic skeletons.

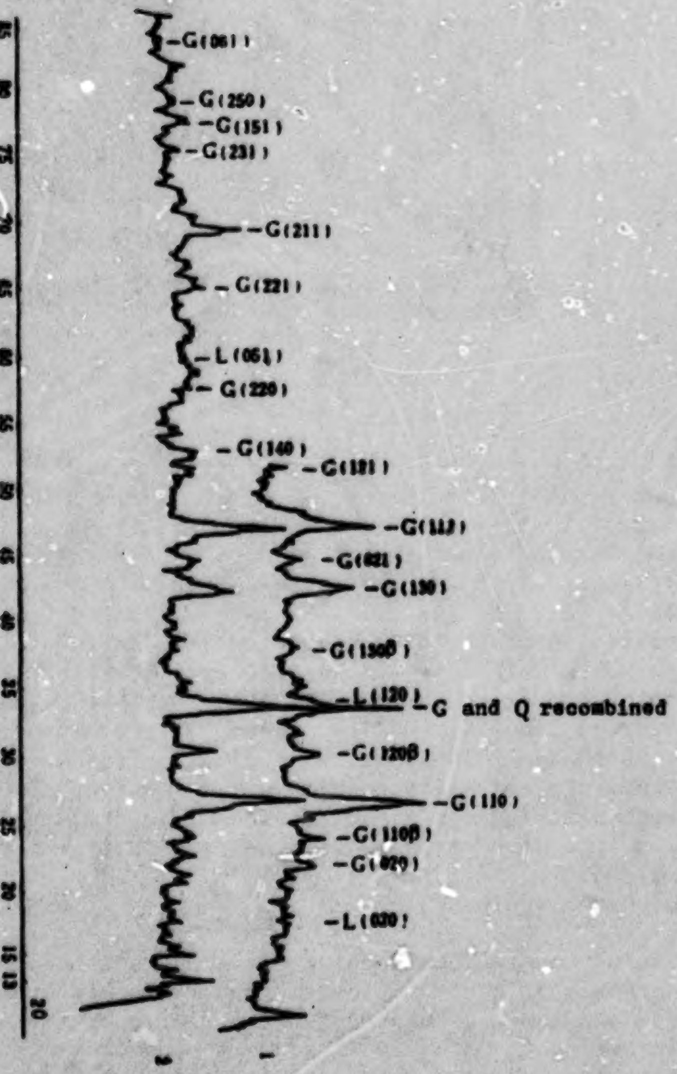


Figure 2. X-Ray Diffraction Chart of Ferruginous Nodules From the East China Sea
1--Station 3204 (32°01.1'N, 123°59.5'E), nodules in fine sand;
2--Station 3302 (33°00.0'N, 123°00.0'E), nodules in powdery sand;
3--Goethite;
4--Quartz

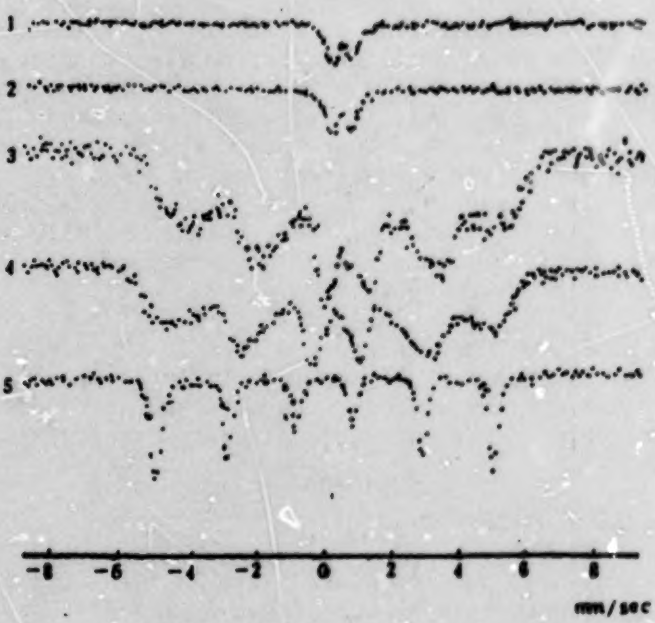


Figure 3. Mossbauer Spectra of Ferruginous Nodules From Northern East China Sea
1--Station 3202 (32°00,0'N, 123°00,0'E), thin plates;
2--Station 3202, kidney shaped; 3--Station 3302, hollow shells;
4--Station 3302, pellet-shaped; 5--Metallic iron

Photo 2.

The manganese oxide concentration in most microspherical and organic internal mold nodules exceeds 25 percent, but iron-bearing manganese nodules with a 50-percent manganese content or even purer manganese nodules are quite rare (see Table 4). The characteristics of the iron oxide in ferromanganese nodules are similar to those in the western Indian Ocean. Table 4 shows that most of the nodules in the western Indian Ocean are transitional products in which the iron oxide content is higher than the manganese oxide content. This is related to factors like the high iron/manganese ratio in sources of rich accumulations of terrigenous materials in near continent seas and other things.

The coexistence of iron and manganese oxides in the mineral composition of these nodules makes them rather complex. The main manganese mineral is 7 Å manganite and 10 Å manganite along with more secondary pyrolusite, psilomelane and so on. The main iron minerals are goethite and lepidocrite[5].

IV. Formational Conditions

Most of the ferruginous nodules distributed in this region are closely related to Pleistocene residual deposits and also are associated with calcareous nodules and various types of continental facies organisms. These two types of nodules have similar formational conditions in that both were formed under continental environments and are of continental facies authigenetic formation.

Other ferruginous nodules existing in the form of organic internal molds or crusts involved authigenetic formation on the sea floor. The water in the environment where they form is rather deep, as is the case of those produced at depths up to 850 meters in the Okinawa Trench and 1,450 meters on the South China Sea continental slope. Although a small amount of ferruginous nodules are found in the South China Sea basin, they mainly are ferromanganese nodules composed primarily of iron.

This distributional regularity in which offshore or continental slope areas contain ferruginous nodules while deeper areas in sea basins produce ferromanganese nodules illustrates the tendency for differentiation of the iron and manganese during the deposition process. This sort of differentiation is related to the geochemical qualities of iron and manganese.

The geochemical differentiation of iron and manganese in seawater occurs first during the transport process. The iron in the seawater exists mainly as a valence-3 state solid, although some of the Fe^{3+}, of course, may form complex ions with the water, chlorine, humic acid or other things. This makes it rather hard for the iron to migrate and easy for it to accumulate richly in littoral regions. On the other hand, the manganese in seawater exists mainly as Mn^{2+} and can migrate over rather long distances.

Table 4. Chemical Constituents of Manganese Nodules From the South China Sea and Indian Ocean (percent)

Area of nodule production	Iron and manganese content					Other constituents				Source of information
	Fe	Fe_2O_3	Mn	MnO_2	$\frac{Fe_2O_3}{(Fe_2O_3+MnO_2)}$	Cu	Co	Ni	Ti	
South China Sea	29.94	42.77	10.77	17.02	72	1.59	2.74	--	--	[6]
	14- 28.58	20- 40.83	30.44 -32	48.32 -50.74	29-44.5	0.08- 0.48	2.67- 3.24	0.20- 0.97	1.10- 1.60	[6]
Western Indian Ocean (average of 10 samples)	15.75	22.5	13.56	21.52	51.1	0.102	0.358	0.322	0.820	[10]
Eastern Indian Ocean (average of 14 samples)	11.31	16.16	15.83	2[illegible].13	39.1	0.330	0.153	0.513	0.582	[10]

Some redistribution occurs in the deposits during diagenesis. The iron and manganese oxides that exist in the mineral facies may serve as an oxidizing agent and bacterial action on the manganese (or iron) may cause the organic matter to undergo oxidation and decomposition while it itself is reduced to a valence-2 ion:

$$(CH_2O)x(NH_3)y + 2xMnO_2 + 3xCO_2 + xH_2O = 4xHCO_3 + 2xMn^{2+} + yNH_3$$

Differentiation in the Fe^{2+} and Mn^{2+} ions after their formation occurs during diagenesis. The manganese ions are transported and dispersed into the water above and under the appropriate condition they may precipitate out at the deposit-water boundary. Because the rate of terrigenous deposition is higher in littoral areas, however, most of the manganese ions diffuse into the seawater and are dispersed. The iron ions, on the other hand, diffuse into parts of the deposits with lower Fe^{2+} concentrations, such as in zones of rich organic matter accumulation where Fe^{2+} concentrations are lower due to the formation of FeS_2. In summary, the fact that iron forms authigenetic minerals means that it is easily fixed in the deposits during diagenesis, whereas the manganese migrates into the water above.

Although iron and manganese are fixed mainly in the form of oxides, they do have an interdependent paragenesis during the oxide precipitation process, and it is possible for differentiation to occur. Under littoral conditions, in addition to that iron which forms sulfides, carbonates and silicates in the microenvironment of diagenesis, most iron is precipitated in the form of oxides. In normal shallow seas ($pH \approx 8$, $Eh \approx 0.2$ to 0.6 V), however, the manganese cannot precipitate directly. Only when special conditions due to biological interference or benthionic irrigation that cause the oxygen to enter the deposits or their surface layer is it possible for the manganese to settle out as a result of bacterial oxidation. In pelagic areas with extremely low terrigenous clastic deposition rates, it is possible for oxidation due to catalysis by iron oxide gelation or bacteria to cause the manganese to oxidize and settle out. This process is extremely slow, however, so manganese oxide accumulations are possible only when the rate of deposition is extremely low. The abyssal basin of the South China Sea is rather close to the continent and the conditions conducive to manganese oxide formation are unstable. The result is that they are smaller in size and fewer in number compared with the Indian Ocean (iron-bearing manganese nodules) and the Pacific Ocean (manganese nodules), and their manganese content also is lower.

REFERENCES

1. Zhu Erqin [2612 5079 0530], "The Discovery of Ferruginous Nodules in the Northern Part of the East China Sea," KEXUE TONGBAO [SCIENCE BULLETIN], Vol 28, No 13, 1983.

2. Zhu Erqin, "Research on Ferruginous Nodules From the Northern Part of the East China Sea," SHANDONG HAIYANG XUEYUAN XUEBAO [JOURNAL OF THE SHANDONG COLLEGE OF OCEANOGRAPHY], Vol 13, No 3, 1983.

3. Zhu Erqin, "Mossbauer Spectrum Characteristics of Ferruginous Nodules From the East China Sea," HAIYANG TONGBAO [OCEANOGRAPHY BULLETIN], Vol 3, No 1, 1984.

4. Marine Sediments Research Office, "The First Discovery of Ferromanganese Nodules on the Continental Slope in the Northeastern Part of the South China Sea," REDAI HAIYANG [TROPICAL OCEANS], Vol 2, No 3, 1983.

5. Qiu Chuanzhu [6726 0278 3796], "Research on the Characteristics of Ferromanganese Sediments and Volcanic Clastic Sediments in the South China Sea and Their Distributional Regularities," REDAI HAIYANG, Vol 2, No 4, 1983.

6. Chen Junren [7115 0193 0083], "Characteristics of Ferromanganese Nodules in the South China Sea's Beibu Gulf," HAIYANG TONGBAO, Vol 3, No 3, 1984.

7. Dan Lianfang [0830 6647 5364], "Research on Ferromanganese Nodules Produced in Different Areas," HAIYANG DIZHI YU DISIJI DIZHI [MARINE GEOLOGY AND QUARTERNARY GEOLOGY], Vol 4, No 1, 1984.

8. Glasby, G.P., "Marine Manganese Deposits," Elsevier Scientific Publishing Company, 1977, p 523.

9. Calvert, S.E. and Price, N.B., "Composition of Manganese Nodules and Manganese Carbonates From Loch Fyne, Scotland," Contr. Miner. Petro., Vol 29, 1970, pp 215-233.

10. Cronan, D.S. and Tooms, J.S., "The Geochemistry of Manganese Nodules and Associated Pelagic Deposits From the Pacific and Indian Oceans," Deep-Sea Research, Vol 16, 1969, pp 335-359.

12539/6091
CSO: 4006/797

BRIEFS

GOLD MINING IN JIANGXI--Nanchang, July 10 (XINHUA)--Jiangxi Province plans to start 12 gold mines in the next five years, provincial officials said here today. The annual output is expected to increase 21 times over the figure for the 1981-1985 period. Jiangxi has the second largest gold reserves among all Chinese provinces. [Text] [Beijing XINHUA in English 1453 GMT 10 Jul 86 OW] /6662

CSO: 4020/387

MACHINE BUILDING INDUSTRY SIXTH 5-YEAR PLAN ACHIEVEMENTS

Beijing ZHONGGUO JIXIE BAO in Chinese 2 Jan 86 p 1

[Text] To fulfill the targets set by the state for the machine building industry in the Sixth 5-Year Plan, the Ministry of Machine Building Industry adopted at the beginning of 1981 the policy of improving quality, increasing varieties, raising standards and yielding better economic results, and has made 10 major achievements through 5 years' efforts.

In implementing the State Council's provisional regulations concerning the expansion of decisionmaking power for the state-owned industrial enterprises, the Ministry of Machine Building Industry has worked out 60 measures for invigorating the enterprises to further increase the momentum for the implementation of this policy, and a number of large and medium enterprises with flexible operations and management including the Shenyang Cable Plant, the Luoyang Mining Machinery Plant, the Beijing General Internal Combustion Engine Plan, the Dalian Refrigerator Plant, and the No 1 and No 2 Motor Vehicle Plant, have emerged.

Of the existing 5,379 standards set by the state and the ministry, 2,065 are up to international standards. In the 5 years, 27 products won gold medals and 295 others won silver medals awarded by the state. The title of fine-quality product was also awarded to 1,604 products by the ministry. The Changzhou Diesel Engine Plant and 11 other enterprises won quality-control awards from the state and the ministry, and 682 plants were given production permits for 1,974 different products.

During the Sixth 5-Year Plan, nearly 6,000 new types were produced, mostly in complete sets and for extensive use in energy conservation. The majority of these products are up to the standards of the 1970's or even the early 1980's. More than 80 percent of these new products are now in regular production.

The heavy equipment of advanced world standards produced in complete sets for the key projects include: 120,000 kw and 170,000 kw turbogenerators for the Gezhouba multipurpose project, 320,000 kw turbogenerators and large special integrated circuit equipment for the Longyangxia Power Station, a 2.8-meter aluminum plate cold roller and a complete cutting and shearing line for the Xianan aluminum Processing Plant.

During the Sixth 5-Year Plan, 920 new energy conservation items were produced and some popular models of motor vehicles were fairly greatly improved. One-third of the ventilators, water pumps, electric welders and other products that are produced in large quantities and widely used will be updated.

During the Sixth 5-Year Plan, more than 10,000 S&T achievements were made. Among them, 2,055 were for scientific and technological achievement, 32 for inventions, and 89 for scientific and technological advancement.

The scientific and technological structure was reformed and 34 research institutes directly under the central government adopted the technical contract system. Of the 55 scientific research bases arranged according to the Sixth 5-Year Plan, 37 will soon be completed.

For the 38 key S&T projects set by the state, the Ministry of Machine Building Industry signed 1,100 contracts and basically fulfilled 800 of them. Some of the completed items reached advanced world standards. The research in optimal arts parameter in optical cold processing has increased the productivity for optical lenses about 4-fold, and the uniform products of the flexible manufacturing units and the horizontal processing centers have been produced.

More than 600 technologies were imported. Complete assimilation and mastery of these technologies will raise about 6,000 products (12 percent of the present mechanical and electrical products) to the standards of the 1970's or the early 1980's. A total of 13 joint ventures were form, and through cooperation in manufacturing and technical consultation, a number of technologies were improved.

For the 828 technical transformation projects called for in the Sixth 5-Year Plan, 75 percent of the required investment has been used. Of these, half are already in operation, and more than 200 casting, forging, electroplating and heat treatment projects in 41 industrial cities have been basically completed.

During the Sixth 5-Year Plan, the China National Machinery Import and Export Corporation exported an average of $300 million worth of goods yearly, a 1.5-fold increase over 1978. The mechanical and electrical appliances of more than 1,600 enterprises were sold to 128 countries and regions, including North America and Western Europe. Export goods developed from single items into complete sets of equipment, some of which have won international renown. The diesel engines of the Changzhou Diesel Engine Plant was the first winner in a public competitive bidding held in Thailand, and the Hangzhou Forklift Plan was called the "Brilliant Pearl of Xihu."

The proportion of output value of seven products which embodied technological progress including energy-saving products, products manufactured with imported technology, products of international standards, updated and upgraded products, key components of large equipment in complete sets, and products recognized by the state and the ministry as fine-quality products, was raised from 12.1 percent in 1983 to 24 percent in 1985. In the 5 years, the amount of taxes paid and profits delivered by the machine building industry totalled 31 billion yuan, exceeding the state's total investment in fixed assets in the same period fourfold.

Within the system of the Ministry of Machine Building Industry, the investment in higher learning during the Sixth 5-Year Plan accounted for 14.8 percent--higher than in any previous 5-Year Plan periods--of the ministry's total investment. In these 5 years, the institutions of higher learning and the secondary schools under the ministry produced 55,000 graduates. These institutions of higher learning made 1,366 scientific research achievements, of which 490 won awards of various grades.

9411
CSO: 4006/619

CAMPAIGN PLANNED TO ASSIST DEPRESSED MOTOR VEHICLE INDUSTRY

HK180305 Beijing CHINA DAILY in English 18 Jul 86 p 1

[By staff reporter Xu Yuanchao]

[Text] Motor manufacturers are planning measures to reduce the growing stock of Chinese-made vehicles and boost the depressed auto industry.

To halt the decline, manufacturers have decided to launch a nationwide campaign to replace obsolete vehicles with new ones. And the government has agreed to allocate funds to make prices more attractive for customers.

An official of the China National Automotive Industry Corporation said that the level of auto imports during the first half of this year and stockpiles of domestic vehicles, which were threatening China's auto industry, should be closely studied by the government departments concerned.

He told CHINA DAILY that auto production declined in the first 6 months of this year. China turned out 184,000 vehicles, representing 45.3 percent of the planned target and a 11.5 percent drop over the same period last year. Ninety percent of the new vehicles were trucks, and 10 percent buses and cars.

The official attributed the drop in production to bulk imports of motor vehicles, the nationwise power shortage, rising prices of raw materials and production equipment, fuel shortages and lack of money in auto work.

The official said the state had adopted flexible and preferential policies for those who bought imported autos but no such policies had been adopted to encourage the sale of domestic vehicles.

An auto conference in Fuzhou, Fujian Province, earlier this month, decided to launch the sales campaign.

The official said that the motor vehicles that needed replacing included those which had run for 500,000 kilometres or served for more than 12 years and could not be repaired any more. Old models with fuel consumptions exceeding the recommended levels by more than 15 percent should also be replaced, he said.

China has 3.2 million domestically-made motor vehicles on the road, excluding imported and military ones. The official estimated that about 25 percent--or 800,000--of these vehicles needed to be replaced.

Some of the motor vehicles in through the Industrial and Commercial Bank of China, customers, not including individuals, could buy the vehicles on an installment plan, the official said.

In addition, the government would allocate low-interest loans to auto makers to expand production. He called on auto works to pool their efforts to upgrade production facilities and improve quality.

The Changchun No 1 Automobile Works in Jilin Province, one of the two automaking centres in the country, will begin producing new "Liberation" trucks this month to replace an old model, according to the corporation.

The auto works will also resume producing "Red Flag" limousines by introducing engines from the Ford Company of the United States. Production of such limousines stopped in 1980 because of poor quality and heavy fuel consumption.

/8918
CSO: 4020/384

SICHUAN MEETING DISCUSSES TASKS FOR INDUSTRY

HK090217 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 8 Jul 86

[Text] The provincial government held a telephone conference on industry and communications on the evening of 7 July to sum up production in the first half of the year and arrange the tasks for July and August.

Vice Governor Ma Lin made a speech. He said: The province did not do well in fulfilling its industrial production task in the first quarter, and there was a decline. There has been a gradual improvement each month since the beginning of the second quarter under the leadership of the provincial CPC Committee and government and thanks to the common efforts of the staff and workers throughout the province. Total industrial output value in the first half of the year was 22.283 billion yuan, an increase of 1.66 percent over the same period last year. The passive situation of falling production has been reversed. Due to the rise in production, economic results in June were better than in the previous 5 months.

On work arrangements for July and August, Ma Lin put forward the following demands: 1) Carefully arrange and organize industrial production for the period. We should strive to increase output of products for which there are raw materials and good sales prospects. 2) We must focus on vigorously improving economic results. In organizing industrial and communications production in the second half of the year, we must focus on improving economic results, persevere in reform, strenghten management, improve the organization of production and circulation, and enliven the enterprises, so as to ensure industrial growth of 8 percent this year. 3) Do a good job in organizing circulation. We must promptly switch from manufacturing products in ample supply that are not needed in the market to turning out products that sell well. Regarding products that used to have a market but whose sales have declined due to poor quality, we must compel the enterprises to work hard to improve quality. We must vigorously organize sales of industrial commodities in the rural areas, and provide guidance for consumption. 4) Do a good job in organizing labor emulation. 5) Get a good grasp of production safety work.

/8918
CSO: 4006/1177

HUBEI ECONOMIC COMMISSION REVEALS INDUSTRY GROWTH

HK140323 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 11 Jul 86

[Text] Recently, the provincial economic commission issued a circular revealing that in the first half of this year, the province's industrial production growth rate was appropriate, achieving an accumulative gross industrial output value of 21.93 billion yuan. The province has fulfilled 46.9 percent of this year's quota, an increase of 5.3 percent over the same period last year; and it was slightly more than the country's average growth rate.

In the first half of this year, the province's industrial production growth rate was greatly reduced compared to the same period last year. This is mainly because last year's growth was too rapid and the growth rate was readjusted this year. Moreover, the province experienced continuous drought this year, which has not been seen for years. This increased power consumption in fighting against drought, thereby intensifying the problem of power supply for industrial use. There were also other factors, such as insufficient raw materials and funds.

Facing these difficulties, the province's departments and enterprises on the industrial front seriously enforced the requirements of the Provincial CPC Committee and government that under the prerequisite of emphatically improving economic results, we should strive to maintain an appropriate growth rate and set strict demands for our economic work. They overcame difficulties and put forth strength for carrying out reforms, tapping internal potential, and increasing output. With the close coordination of the circulation, financial and other departments, they have maintained an appropriate growth rate for the province's industrial production.

The provincial economic commission circular pointed out: In accordance with the requirement that this year's industrial production plan should be increased by 10.4 percent over that of last year, we should accomplish a monthly industrial output value of 4.14 billion yuan in the second half of this year, an increase of 35 million yuan over that of June, which ranked top in the first half of this year. Our task therefore is still very arduous. In particular, industrial production economic results in the first half of this year were not satisfactory. Compared to the same period last year, the profit made by budgetary state-run industrial enterprises dropped. Both the number of loss-incurring households and the amount lost were increased. The cost of production was increased, and the turnover of liquid capital slowed down.

For this reason, industrial production in the second half of this year should focus on the invigoration of enterprises, and continue to improve economic results. At the same time, we should strive to accomplish our goal of achieving a growth rate of 10.4 percent.

/8918
CSO: 4006/1185

JINGJI RIBAO ON NEW SITUATION IN TEXTILE INDUSTRY

HK251336 Beijing JINGJI RIBAO in Chinese 14 Jun 86 p 3

[Article by Deng Zhongyuan [6772 0022 0337]: "It is Necessary to Pay Attention to the New Situation in the Development of the Textile Industry"]

[Text] The Textile Industry Should Continue to be Vigorously Developed

In recent years, industries like iron and steel, automobiles, engineering, and so on have developed relatively fast. However, the textile industry, which became developed in the early days of our country, experienced its peak period a few years ago, contributed a lot to our country, and was regarded as "a ready source of state revenue," has encountered very great difficulties in the past 2 years. Does it still need major development? Our opinion is affirmative.

First, as an important industry in the national economy, even in the difficult year of 1984, the total profits and taxes of the textile industry handed over to the state still accounted for 11 percent of the total profits and taxes handed over to the state by the industrial enterprises of the whole country, ranking 5th of 15 industrial departments. Employing 5 million workers and staff members, the textile industry is a large industrial contingent. On average, of every 10 workers and staff members in the country, 1 is engaged in the textile industry. Textile products are important commodities for our country's earning of foreign exchange through the export trade. In 1984, the total foreign exchange earned through the export of textile products amounted to $4.15 billion, occupying second place in the country, second only to petroleum. Adding the foreign exchange earned through the export of silk products, the total export volume of textile products makes up 21 percent of the total export volume of the whole country, while the textile industry only consumes about $1 billion of foreign exchange per year. Therefore, it is an industry making good foreign exchange for our country. During the "Seventh 5-Year Plan" period and the ensuing 10 years of economic vitalization, as our country will need more and more foreign exchange, developing the export of textile products. Which consume less foreign exchange, need a short capital turnover period, and have less problems regarding the domestic market should be an important strategic task.

Second, the domestic market for the textile products has great potential. At present, although the textile products in our country can be purchased without coupons, buyer's markets for many products have been cultivated. Nevertheless, the purchasing power of the people in our country is still relatively low, with the per capita textile and fiber consumption being only about 4 kilograms, while the average level in the world is 7 kilograms, 16 kilograms in Japan, and 24 kilograms in the United States. At present our country has over 22 million cotton spindles, occupying first place in the world. However, the per capita possession is only 0.02 spindles, which is lower the 0.03 spindles in India, the 0.08 spindles in South Korea, the 0.7 spindles in the United States, the 0.9 spindles in Japan, and the average level in the world. With the development of the economic life of the people in our country from just having enough to eat and wear to the leading [of] a comparatively well-off life, the level of textile consumption will also gradually improve.

Third, the amount of foreign exchange earned through the export of textile products in our country only occupies a very small share in the total trade volume of the textile products in the world, but it has enormous potential in the export trade. In 1984, the amount of foreign exchange earned through the export of textile products in the world has a great capacity. Amid the waves of the bourgeoning new technical revolutions, some developing countries and regions (such as Brazil, South Korea, and so on) seized the opportunity when the developed countries ceased to attach importance to traditional industries. They carried out industrial readjustment to vigorously develop their own textile industries, expand export trade, and fill up the emerging market gaps. We should also seize this good opportunity to improve the export competitiveness of textile products and the levels of earning foreign exchange, and should capture more international markets for textile products.

The Fundamental Way Out for the Development of the Textile Industry Lies in Technological Progress

During the "Seventh 5-Year Plan" period and until the early stage of the "Eighth 5-Year Plan" period, the investment priority in our country will be shifted from new construction projects to technical transformation and the reform and expansion of the existing construction projects. This should also be the construction principle for the textile industry in our country.

In the last decade, the textile technology in the world has developed very fast. Rather than being reduced, the gap between the textile industry in our country and the advanced level in the world has grown. First of all, this is reflected in the low labor productivity in our country. On average, the production of cotton yarn takes 6 working days in our country, but only 1.5 working days in the United States and 2 working days in Japan. The cloth-weaving efficiency in countries like the United States, Japan, and others is all 4 to 5 times higher than that in our country. Moreover, the textile workers in our country work with greater labor intensity but poorer labor conditions. For example, the work load for a spinner in our country is double that of a spinner in Japan; the dust level in workshops is generally 3 to 4 times as much as that in foreign countries; and the noise pollution level is 10 decibels higher here than in other countries. Furthermore, the variety of textile products is monotonous, the quality is not high, the competitiveness on international markets is poor, and in the domestic markets they do not well suit the increasingly high demands of consumers. In addition to reasons like the ossified management structures, low management levels, irrational industrial structures, few varieties and specifications for chemical fiber materials, another important reason resulting in this backward state is the backward technology and equipment. At present, apart from a small quantity of relatively advanced equipment imported from foreign countries, in general, the technology and equipment of the textile industry in our country is only roughly equal to the level in the 1960's of the industrial advanced countries and the weaving, man-made fiber and woolen dyeing equipment in our country is only equal to the level in the 1950's in foreign countries. The automation degrees of China-made textile machinery are generally relatively low, the types and specifications of machinery are incomplete, and the production precision and the quality of the necessary accessories are all relatively poor. In order to change this backward state in the textile industry in our country, the fundamental way out lies in technological progress.

It Is Necessary To Remedy the Lack of Funds for the Development of the Textile Industry

In the last few years, the textile industry was in the peak period of production and basically handed over all its newly-created profits and taxes to the state, resulting in more and more debts incurred for reforming the old factories and improving welfare benefits. Therefore, if no special policy is adopted to let the textile industry "recuperate and multiply" and make remarkable technological progress, it will be very difficult for the textile industry to make major production increases.

Nevertheless, in the face of the arduous tasks of reform, at present the most outstanding difficulty for the textile industry is a lack of funds. Even since the second step of the switch from profit delivery to tax payment has been made and the enterprises now retain more profits, the amount of profits retained by the textile enterprises still is at a low level in the country. At present the proportions of retained profits from the realized profits and taxes by the industrial enterprises in our country are as follows: township and town enterprises retain about 70 percent; enterprises jointly owned by China and foreign businessmen retain about 60 percent; the collective-owned enterprises retain about 47 percent; and the state-owned enterprises retain about 15 percent. However, the profit retained by the state-owned textile enterprises have to pay too many taxes, this will surely weaken their self-transformation and self-development capabilities and affect their ability to multiply funds and their product adaptability.

Judging by the development process of the textile industry in the world, all the developed industrial countries once experienced having their textile industry need a major equipment renewal and technological transformation as well as the issue of a shift of textile industry from the basis of traditional industrial technology to the basis of new technology. While resolving these issues, these countries all gave special financial support to the textile industry to help tide it over the difficulty. At present, the textile industry in our country is also confronted with an issue of "shift," an issue of technological transformation, and an issue of changing the expansion of quantity to the improvement of quality. In this process, it is necessary for the state to adopt special policies on the textile industry and support its development.

First, regarding those old bases and enterprises which have made bigger contributions, had a better management foundation, accomplished better economic results, incurred more debts in technical transformation and welfare benefits, and retained fewer profits, we should apply measures like tax reduction to increase their profit retention rates to the average level or above in the country.

Second, we should implement the new system of paying wages according to positions held. In the 1950's, the system of paying wages according to positions held adopted by the state in the light of the characterisitcs of the production and labor in the textile industry played a very good role in the development of the textile industry. In the 1960's, for various reasons, it was suspended. At present, it should be restored. It is necessary to check and ratify the total sum of wages in light of the standard fixed number of staff members and wages and adopt the system of contracted total wages, in which wages will not be increased or decreased with the increase or decrease in personnel.

Third, in order to rapidly increase the levels of the textile machine--manufacturing in China and provide advanced equipment for technical progress in the textile industry. We should actively support the development and production of the new equipment and technology of the textile engineering industry, step up the combination of technology and trade and domestic development, adopt a policy of tax exemption on the new textile equipment and machinery during their trial sales period and give them price subsidies.

Fourth, it is imperative to adopt effective measures to check any forms of "overcharging" and indiscriminately apportioning expenses, ensure energy resources for the textile industry, and appropriate a certain amount of foreign exchange to ensure raw materials for textile production.

/8918
CSO: 4006/1185

INDUSTRY

QINGHAI BOOSTS GROSS INDUSTRIAL OUTPUT VALUE

HK151538 Xining Qinghai Provincial Service in Mandarin 2230 GMT 14 Jul 86

[Text] In the first half of this year, the province accomplished more than 950 million yuan of gross industrial output value, an increase of 5.47 percent over the same period last year, exceeding the state's average growth rate and ranking 13th among China's provinces, cities, and regions.

At the beginning of this year, there was a time when the province's industrial and communication production experienced a drop. But the provincial CPC Committee and government promptly formulated economic administrative methods as well as measures for invigorating enterprises, so that the tense situation of the enterprises' liquid capital and raw materials was eased, and production grew. In June, the province accomplished a gross industrial output value of more than 620 million yuan, an increase of 8.4 percent over the same period last year. Of the province's product output values, the growth rates of crude oil, knitting wool, and [words indistinct] were quite rapid. The output values of 26 products accomplished over 48 percent of this year's quota. The growth rates of enterprises owned by collectives, as well as light industry, were higher than those of enterprises owned by the whole people and heavy industry.

At present, the province's major problems in developing industrial production are unsatisfactory economic results, a drop in the profits of profit-making enterprises, a rise in production cost, slack sales of products due to big increase in liquid capital loans, a sluggish raw coal and automobile market, and unstable product quality.

/8918
CSO: 4006/1185

INDUSTRY

BRIEFS

GUANGDONG INDUSTRIAL GROWTH--Guangzhou, July 9 (XINHUA)--The first half of the year has been a good one for Guangdong Province's economy, officials said here today. Industrial output, profits and exports have all grown substantially, they said. Virtually all of Guangdong's major industries are state-owned. According to provincial figures, Guangdong's industrial output value for the first 6 months grew 9.6 percent over 1985 to 24.4 billion yuan. Industry officials said the output goals of the region's overall plan were met--and they were pleased. "There were power shortages no one had expected, and we had to pay higher prices for fuel and raw materials than anticipated," said one, "but we were pleased we were able to grow at a good clip anyway." Profits increased almost as fast as industrial output, reaching nearly 1.7 billion yuan during the first 5 months of the year, 105 million yuan more than in the same period in 1985. And the province earned U.S. $1.4 billion in foreign exchange for its exports of manufactured goods in the year's first 5 months, up 50 percent from 1985. Profit and export figures for June have not been announced yet. Growing fastest among the province's industrial sectors were wrist watches, refrigerators, pesticides, chemical fertilizers, medicines and sugar. [Text] [Beijing XINHUA in English 1215 GMT 9 Jul 86 OW] /8918

GUANGDONG LIGHT INDUSTRY--Beijing, 7 Jul (XINHUA)--The total light industrial output value of Guangdong Province reached 6.5 billion yuan in the first 5 months of this year, 600 million yuan more than Shanghai. This is the first time that Guangdong surpassed Shanghai--so far the most industrially developed city in China--in light industry, according to a local official. [Text] [Beijing XINHUA in English 0019 GMT 8 Jul 86 OW] /8918

JILIN TRUCK PRODUCTION--Changchun, 15 Jul (XINHUA)--A second generation of Jiefang CA 141 5-ton trucks went into mass trial production in this capital of Jilin Province today, indicating a new stage for the development of China's motor vehicle industry. Li Zhiguo, deputy director of the Changchun No 1 Motor Vehicle Plant, which specializes in producing Jiefang trucks, said here today that official production of the vehicles will begin next year. The trucks have a top speed of 90 kph and consume 26 percent less gasoline than the first generation. They are said to be durable and easy to repair. Starting production 15 July 1956, the plant has turned out 1,265,700 vehicles, accounting for one half of the country's total now in use, and expanded its variety to more than 30 types of trucks, cross-country motor vehicles, cars, and coaches. [Text] [Beijing XINHUA in English 1459 GMT 15 Jul 86 OW] /8918

IRON, STEEL INDUSTRIES PROFITS--Beijing, July 14 (XINHUA)--China's iron and steel industry yielded 5.9 million yuan in taxes and profits in the first half of this year, up 7.9 percent over the same period of last year, the Ministry of Metallurgical Industry said today. The iron and steel works operating under the ministry consumed nine kilograms of less coke for making one ton of iron, the ministry added. And in producing one ton of steel with electrical furnaces, they saved eleven kwhs of electricity. [Text] [Beijing XINHUA in English 1455 GMT 14 Jul 86 OW] /8918

SHANDONG LIGHT INDUSTRY--In the first half of 1986, the light industrial enterprises in Shandong Province produced 2.77 billion yuan worth of industrial products, an increase of 17.14 percent over the same period of the previous year, fulfilling 51.43 percent of the annual plan. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2200 GMT 10 Jun 86 SK] /8918

RECORD SICHUAN INDUSTRIAL OUTPUT--The gross industrial output value of Sichuan Province in June this year was some 4.5 billion yuan, a monthly record in history and an increase of 9.1 percent over June last year. Of it, light industrial output value increased by 13.4 percent and heavy industrial output value recorded an increase of 5.4 percent. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 9 Jul 86 HK] /8918

SICHUAN IRON MINES--During the Seventh 5-Year Plan period, Sichuan Province will raise funds of 50 million yuan to exploit iron mines. These funds will be spent on the exploitation of the key mines. These funds will be spent on the exploitation of the key mines in Nanjiang and Liangshan. Iron ore resources abound in Nanjiang county and in Huili, Huidong, Yanyuan, and Dechang counties in Liangshan Autonomous Prefecture. Output of iron mines run by the prefecture and counties and of small mines has reached 1 million tons. However, due to lack of funds for exploitation, the abundant iron ore resources of Nanjiang and Liangshan cannot be fully extracted. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 9 Jul 86 HK] /8918

GUIZHOU INDUSTRIAL PERFORMANCE--Guizhous industrial output value in June rose by 8.4 percent over May, including a 7.3 percent increase in the enterprises owned by the whole people. The province's industrial output value in the second quarter was 2,110,250,000 yuan, representing 23.4 percent of the year's planned figure and showing a rise of 11.3 percent over the first quarter. Total output value for the first half of the year was 3,939,720,000 yuan. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 8 Jul 86 HK] /8918

HAINAN INDUSTRIAL PRODUCTION INCREASES--Industrial production in Hainan region in the first half of this year increased continuously. The gross industrial output value in the first half year reached some 762.79 million yuan, recording an increase of 4.84 percent over the same period last year and accounting for 50.85 percent of the annual quota. [Summary] [Haikou Hainan Island Service in Mandarin 0300 GMT 15 Jul 86 HK] /8918

SHAANXI JUNE INDUSTRIAL OUTPUT--Shaanxi's industrial output value in June was 1.724 billion yuan, an increase of 10.5 percent over the same month last year, an increase of 148 million yuan over the May figure, and a record. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 5 Jul 86 HK] /8918

JILIN INDUSTRIAL OUTPUT VALUE--In the first half of 1986, Jilin Province achieved stable and harmonious development in industrial production. The province realized 11.35 billion yuan of total industrial output value, and 8 percent increase over the figure of the corresponding 1985 period. The province realized 1.21 billion yuan in profits and taxes handed over to the state, a 15.1 percent increase over the figure of the corresponding 1985 period. The province also realized 1.52 billion yuan of financial revenues, a 19.1 percent increase calculated in terms of comparable items. [Excerpt] [Changchun Jilin Provincial Service in Mandarin 0930 GMT 7 Jul 86 SK] /8918

TIANJIN INDUSTRIAL OUTPUT--In the first half of 1986, the output value realized by industrial enterprises throughout Tianjin Municipality reached 14.74 billion yuan, an increase of 2 percent over the corresponding 1985 period. [Summary] [Tianjin City Service, Mandarin 1330 GMT 4 Jul 86 SK] /8918

GUANGDONG INDUSTRIAL PRODUCTION--According to statistics, from January to June this year, Guangdong Province's gross industrial output value was 9.6 percent more than in the same period last year. The profits and taxes of the state-run industrial enterprises covered by the budget recorded, from January to May this year, an increase over the corresponding period last year. Foreign exchange earned from the export of products from January to April this year was 50 percent more than in the same period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 7 Jul 86 HK] /8918

GANSU INDUSTRIAL PRODUCTION INCREASE--The cumulative total of Gansu Province's gross industrial output value in the first half of this year was 6,034 million yuan, which accounted for 49.21 percent of the quota for the whole year and recorded an increase of 7.19 percent over the same period last year. Of it, the gross industrial output value in June was 1,190 million yuan. The province exceeded the monthly output value of 1.1 billion yuan for the first time and made the highest level in history. Output of 19 products, including pig iron, rolled steel, nickel, plate glass, washing machines, beer, and mixed feed, increased by some 10 percent. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 7 Jul 86 HK] /8918

CSO: 4006/1177

NINGXIA'S COOPERATION WITH COASTAL REGIONS REPORT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Dec 85 p 3

[Article by Shi Haibo [1597 3189 3134]: "Scope of Cooperation Between Ningxia and the Coastal Regions Broadening"]

[Text] The lateral ties between the cities, prefectures and counties of Ningxia and some of their counterparts along the coast--where the strong points can offset weak points--have effectively promoted the economic development of them all.

In the past, the remote region of Ningxia had to rely on such policies as "intellectual support for the frontier" to bring in funds, technology and skilled personnel from the developed coastal regions. This form of cooperation was usually of short duration and limited to certain specific fields. Last year, Ningxia adopted the method of setting up sister cities, prefectures, and counties with other provinces so that the sporadic and temporary cooperation of the past could develop into steady organized, well-planned cooperation. The scope of cooperation has since continued to expand. At present, 13 cities, prefectures and counties in this autonomous region have established ties with 16 cities, prefectures, and counties (districts) in Zhejiang, Liaoning, Anhui, and Shaanxi. After Shijuishan became a sister city of Pengpu, integration and cooperation formed between them in the fields of economy, technology, education and public health at various levels, through various channels and in various forms. At present, these 2 cities have jointly set up 7 enterprises including iron alloy plants and wool production bases, and started their technical cooperation on 16 projects, including the trial production of low-alcohol wines and Muslim foodstuffs.

According to partial statistics, these sister cities, prefectures and counties have enabled Ningxia to attract more than 120 million yuan, more than 1,000 technologies, and some 10 million yuan worth of materials from other provinces. At the same time, Ningxia transferred to other provinces some 30 million yuan worth of coal, coke, ferrosilicon, cement, chemical fertilizers, wool, glass and other materials.

9411
CSO: 4006/620

DOMESTIC TRADE

SHANGHAI PRODUCTS FACE CHALLENGE FROM OTHER CITIES

OW141136 Beijing XINHUA in English 1043 GMT 14 Jul 86

[Text] Beijing, Jul 14 (XINHUA)—Shanghai industrial products, usually considered the best in China, are facing new challenges from outside of the metropolis.

Shanghai residents used to trust only local products, believing that "Shanghai means quality". "But now they find they cannot resist the temptation of goods from elsewhere," one city official told XINHUA today.

Shop windows of the city's ten biggest department stores are displaying more and more goods from other cities, which now account for one third of the city's total sales, the official added.

During two big sales exhibitions organized by the city's No one department store this summer, refrigerators and electric [as received] from other cities "sold much better" than local goods, he said.

Refrigerators from Qingdao, Beijing, Guangzhou and Suzhou were selling more quickly than Shanghia products.

The traditional products like silk from Hangzhou, corduroy from Changzhou, furniture from Guangzhou and air conditioners from Ningbo are also enjoying a high prestige in Shanghai market.

A manager of the No one department store said: "We buy whatever quality goods for sale, without caring where they were producted."

About 70 percent of refrigerators and fans now sold in the store are from other cities, he said.

/6662
CSO: 4020/387

SPECIAL FEATURES OF CHINA'S FOREIGN TRADE

Hong Kong CHING-CHI TAO-PAO in Chinese No 14, 14 Apr 86 p 32

[Article by Zheng Tuobin [6774 2148 1755], Minister of Foreign Economic Relations and Trade: "Special Features of China's Foreign Trade"]

[Text] China's foreign trade has become a matter of increasing interest to people at home and abroad. Looking back at the Sixth 5-Year Plan, we can see with a sense of gratification the progress that has been made. If we are to look forward to the Seventh 5-Year Plan, however, it is clear that a great deal remains to be done.

According to statistics compiled by the Ministry of Foreign Economic Relations and Trade, the total amount of imports and exports during the Sixth 5-Year Plan came to $229.37 billion, showing an increase of 100 percent compared to $114.7 billion for the Fifth 5-Year Plan. In 1985, the total amount of imports and exports came to $59.21 billion, showing an increase of 56.6 percent compared to 1980. During the same year, foreign loan agreements amounting to $13.3 billion and contracts for direct investment by foreign businessmen amounting to $13.8 billion were signed; approval was given for the establishment of 2,260 joint enterprises, 3,470 jointly operated enterprises and 101 enterprises solely owned by foreign businessmen; 2,600 contracts for construction projects and labor service abroad amounting to $5.1 billion were signed with foreigners. Of the $2.48 billion derived from completed construction and labor services, $1.19 billion were from contracts signed in 1985.

China's foreign trade during the entire Sixth 5-Year Plan was marked by the following features:

-The rate of increase for exports exceeded that for imports and the structure of import and export commodities underwent a change. During the Sixth 5-Year Plan, exports amounted to $115.12 billion, showing an increase of 95 percent compared to $58.6 billion during the Fifth 5-Year Plan. Thus, the rate of increase for exports exceeded that for imports. Although there was a slight surplus in our favor, there was essentially a balance between imports and exports. As regards the structure of import and export commodities, the ratio in the export of manufactured products exceeded that of primary products for the first time.

-There was a more rapid pace in the absorption of direct investments by foreign businessmen and in the increase in the number of large and productive projects. Prior to 1980, an overwhelming ratio in foreign capital absorbed by China was made up of foreign loans, while a very small part was made up of direct investment by foreign businessmen. Approval was given to the establishment of only 20 joint enterprises, most of which were in the coastal cities. During the Sixth 5-Year Plan, the proportion of utilized foreign that was direct foreign investment increased. Most of the joint enterprises whose establishment was given approval were projects of a productive nature. A start was also made to establish such sizable direct investment operations calling for large investments and advanced technologies as the opencut coal mine in Pingshuo in Shanxi, the International Trade Center in Beijing, and the Dazhong Automobile Co. Ltd. in Shanghai. At present, with the only exception of Xizang, direct investment projects by foreign businessmen have been established in 28 provinces, municipalities directly under the central government, and autonomous regions, creating a situation marked by an onward movement from the SEZ's and coastal cities open to foreigners to the hinterland.

-There was considerable development in contracting for construction and labor cooperation projects and an increase in the prestige of contracting companies through competition. This type of operations, which first made its appearance in 1979, represents a newly developed business in the field of international economic cooperation in our nation. During the Sixth 5-Year Plan, the number of countries and regions with which we carried on such operations increased from 29 in 1981 to 85 in 1985, while the number of laborers assigned to foreign countries increased from 17,000 to 59,000 during the same period. There are now 64 companies in China engaged in such operations. They have, by engaging in intensive competition in the international contracting and labor markets, improved their operational capability and prestige. The ratio of contracts for undertaking engineering projects out of the total number of contracts has increased from 54.7 percent in 1981 to 88.2 percent in 1985. We have also made a start in contracting for a number of large projects totaling over $100 million.

At the start of the Seventh 5-Year Plan in 1986, the development of foreign economic relations and trade came to be regarded as a matter of major importance in the overall economic development of China. In explaining the proposal put forward for drawing up the Seventh 5-Year Plan, Premier Zhao Ziynag pointed out that the two keys to construction during the Seventh 5-Year Plan were, first, the vigorous upgrading of the economic effectiveness of the enterprises and, second, the strengthening of our ability to earn foreign exchange. To further develop our foreign economic relations and trade, we must direct our efforts toward the following:

1. We must seek to increase our capability to earn foreign exchange, to increase our exports, and to upgrade our economic effectiveness. We must establish a system for the production of export commodities step by step and according to a plan, engage in production and export operations to meet the needs of the international market, upgrade the technical standard of production

and the competitiveness of our export commodities, and ensure the sustained and stable improvement in the quality and quantity of our export commodities.

2. We must make use of foreign capital to raise preferential low-interest and long-term loan funds among government departments and international banking organizations. While seeking to absorb large amounts of direct foreign investments, we must also seek foreign commercial loans to the limit of our ability to make repayment. Foreign capital should be used mainly on such key projects as the speeded up development of energy production and transportation and the technical reform of existing enterprises. We must regard the establishment of technology-intensive and foreign-exchange-earning enterprises the main objective in absorbing direct investments by foreign businessmen.

3. While consolidating and developing the market for contracting construction and labor cooperation projects with foreign countries, we must also direct our efforts toward the development of new markets. We must regard the increased export of labor as a matter of priority and engage in contracting for projects to the limit of our ability.

4. We must continue to engage in foreign aid projects to the best of our ability. We should select and engage in projects which are within our capability and which meet the needs of the recipient nations. We must consolidate and upgrade the economic effectiveness and usage of projects which have been completed.

5. We must continue to reform the foreign trade system, create the necessary conditions for achieving steady progress. We must fundamentally improve relationships using out of the developments in foreign trade and establish a socialist foreign trade system with Chinese characteristics.

It is my belief that with effort, our foreign trade will be further developed during the Seventh 5-Year Plan and that our economic relations with the countries and regions throughout the world will be further strengthened.

9621/12951
CSO: 4006/1044

CONFERENCE ON FOREIGN CAPITAL OPENS IN NANNING

HK161354 Nanning Guangxi Regional Service in Mandarin 1000 GMT 15 Jul 86

[Text] A regional conference on utilizing foreign capital to import technology opened in Nanning today. The conference mainly summed up the experiences of our region in utilizing foreign capital over the past few years; studied the orientation of utilizing foreign capital in the new situation of opening up, invigorating, and reform; did a good job in coordination in all aspects; strengthened leadership and management; and enhanced our region's work of utilizing foreign capital to a new plane.

Wang Rongzhen, regional people's government vice chairman, attended this morning's conference and spoke. In his speech, he said: Our region did the work of utilizing foreign capital from 1979 to the end of 1985. Our region directly absorbed investments made by foreign businessmen and concluded contracts for 232 items. Foreign businessmen invested $350 million, and $110 million of foreign capital was used. In particular, in 1985, contracts for 122 items were concluded and foreign businessmen invested $230 million, and some $30 million was actually utilized. They respectively ranked seventh and eighth in the whole country.

In his speech, Wang Rongzhen pointed out: Although our region has made relatively big progress in utilizing foreign capital, due to the fact that this is a new work, we do not have much experience and many problems still exist. For example, we have lacked the plans of and guidance to trade. We have often repeatedly imported the same items. We have imported fewer items that are used to exploit resources and to promote exports to earn foreign exchange. The products of some joint ventures cannot be sold abroad to earn foreign exchange. We cannot maintain a balance of income and expenditure in foreign exchange. The preparatory work for items in the preliminary period has been poorly made. There is still a certain difficulty in the domestic contributory capital and so on.

Vice Chairman Wang Rongzhen demanded: Through this conference, it is necessary to seriously solve the following several problems:

1. It is essential to correctly cause foreign investments to be rationally made in the right items.

2. It is imperative to strengthen preparatory work for items in the preliminary period and to well in the feasibility study of items.

3. It is necessary to run well the existing enterprises in which foreign businessmen have invested.

4. We must strengthen leadership over and management of the work of utilizing foreign capital, enhance our work efficiency, strive to fulfill the quotas for utilizing foreign capital for this year and during the Seventh 5-Year Plan period, quickly catch up with national pace, and enhance our region's work of utilizing foreign work to a new plane.

/8918
CSO: 4006/1184

SICHUAN ESTABLISHES GROUP FOR FOREIGN CONTRACTS, MANPOWER EXPORT

HK120247 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 11 Jul 86

[Excerpts] The Sichuan provincial leadership group for contract projects, abroad and manpower cooperation was recently set up in Chengdu with the aim of further expanding the province's manpower exports and, in conjunction, exporting raw materials, equipment, and technology. The tasks of the group are, under the leadership of the provincial government, to carry out overall planning, coordinate, guide, and provide services for the province's contract projects abroad and manpower cooperation. The leadership group will organize labor in a unified way for contract projects undertaken in other provinces and foreign countries, and for the export of productive and service manpower of various kinds.

The group held its first meeting on 11 July. Pu Haiqing, vice governor and head of the group, pointed out that it is essential to emancipate the mind, persevere in reform, do a good job in exporting manpower, and take full advantage of the province's strong point in manpower resources. In manpower cooperation, it is necessary to have a clear picture of the guiding idea by basing our work on our own province, developing work in other provinces, and entering the international labor market.

He said: Although the province has already exported 150,000 laborers in an organized way, and has started to contract for projects in the international field, this is far from enough and we must work hard to develop the effort. We must formulate some policies for encouraging and promoting manpower export. Specialized professional coordinating groups should be organized to strengthen liaison with the departments and organs concerned.

We must insist on putting quality first in contract projects abroad, strive to reduce labor costs, improve economic results, and strive to develop new markets, so as to make still greater contributions to the province's economic development.

/8918
CSO: 4006/1184

FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE DEVELOPMENT IN WUHAN REPORTED

Wuhan CHANGJIANG RIBAO in Chinese 25 Oct 85 p 1

[Text] In 1 year after being opened to the outside world, Wuhan has established direct trade relations with 32 countries and regions on the 5 continents. According to information obtained from the municipal foreign economic and trade commission on 22 October, Wuhan has held many small trade fairs and trade talks since the beginning of this year, and its export volume has risen sharply. At present, the value of its export contracts already signed exceeds 100 million yuan, and the actual export volume is more than $25 million.

Wuhan worked out its own plans for foreign economic relations and trade in September last year. Since then, it has taken a gigantic step forward in its trade relations with foreign countries. The municipal foreign economic relations and trade commission used this city as the source of export commodities. At the same time, it strengthened the integration of cities and counties through the established channels and lost no opportunity in increasing the commodities for export. In a single transaction which took place between the industrial and foreign trade departments in early September last year, more than $20 million worth of commodities were made available for export.

At present, through trade fairs, trade talks, sales promotion abroad, and the invitation of returned overseas Chinese or their families to serve as "bridges," Wuhan has established its trade contacts with more than 40 countries and regions and formed direct trade relations with the Soviet Union, Japan, West Germany and 29 other countries in addition to Hong Kong, Macao and other regions. While broadening the channels of foreign trade, the export companies in Wuhan are adopting the policy of holding trade fairs and trade negotiations as a centralized means of sales promotion and at the same time keeping up its usual practice of inviting foreign traders through correspondence and telegrams, conducting sales canvasses abroad, and holding interviews to increase the transactions.

9411
CSO:4006/620

FOREIGN TRADE ACTIVITIES IN SHANGHAI'S SUBURBAN COUNTIES

Beijing RENMIN RIBAO OVERSEAS EDITIONS in Chinese 31 Dec 85 p 3

[Article by Sun Hongxiang [1327 3163 4382]: "Suburban Counties of Shanghai Becoming Increasingly Active in Foreign Trade"]

[Text] As a result of their vigorous efforts to develop foreign trade, the counties in Shanghai's suburban areas have continued to increase their export volume yearly.

In the past 7 years, according to statistics, the export volume of these counties increased by an average of 24 percent each year. In 1984, 10 counties in these areas supplied to the foreign trade departments commodities for export totaling 1.35 billion yuan in value, a net increase of 1.06 billion yuan over 1978. In the first 6 months of this year, the value further increased 15 percent over the same period last year. The export commodity mix of these counties has markedly changed along with the continued development of the rural economy. Now, the export products in all these areas have developed from a few traditional agricultural sideline products to more than 300 varieties including handicraft products, garments, toys, household electrical appliances, machines and chemicals.

In the course of developing their production for exports and strengthening their management, these counties have accumulated certain useful experiences.

Foreign trade companies were formed in most of these counties. All departments have attached great importance to the organization of their production for exports. As long as any project or product can be exported, the departments responsible for planning, supply, finance, commerce, and science and technology would closely cooperate with one another and give priority to the achievement of the required productive capacity.

The development of new products. In the past several years, all the counties in Shanghai suburban areas have acted in accordance with the information supplied and suggestions offered by the foreign trade departments and lost no opportunity in developing many products--such as duck livers, beef cattle, prawns, eels, pigs with lean meat, reed-shoots, furs, and xiaohu sheep skin--that are in demand on the international market. At the same time, they have taken special care to preserve the traditional native and special products with good export prospects by building their production base in order to turn them into "highly competitive" goods.

The care for minor transactions. These counties welcome any transaction, though small, complex and not very profitable, provided they can earn more foreign exchange out of it. In the case of toys, for example, some foreign traders often ordered only several gross or even several dozen, and for garments, they wanted many different specifications and styles in mixed packaging. To meet the needs of competition on the market, the customer may want to take delivery of the goods in a few days. Sometimes, soon after the start of regular production of certain goods, the foreign trade departments may want these counties to switch over to another line of products immediately because of certain changes on the international market. The making of these abrupt changes may be difficult for large enterprises, but not for the counties and townships in Shanghai's surburbs because of their "flexibility."

The improvement of quality, the increase in foreign traders' trust, and the stronger competitive power of their products on the international market. The goat hair of Chongming County has the fine characteristics of being long, straight, pointed, soft and resilient, and is considered valuable writing brush material. It is one of the popular commodities in China's export trade. The woven straw articles of Jiading County are selling well in more than 30 countries and regions because of their attractive and novel designs. The embroidered garments produced by the peasants in Songjiang, Shanghai and Chuansha counties are the handicraft articles whose popularity can never be lost on the international market. The township industry, like a new force emerging out of nowhere, has added many attractions to the export trade. The "sunflower" ceiling fans, circular wire rope clips, convenient hand pumps, bicycle pedals, jackets and camphor sticks are listed as Shanghai's fine-quality products much welcomed by the customers.

The flexible and varied modes of business operation. In recent years, besides undertaking the processing of materials supplied by the customers and according to their specifications, and compensation trade, these counties have also set up more than 10 integrated agriculture (industry) and foreign trade enterprises jointly with the foreign trade departments, and cooperated with foreign traders in forming joint ventures. These measures have greatly accelerated the development of exports in these counties.

9411
CSO: 4006/614

INCREASE IN HANDICRAFT EXPORTS PLANNED FOR 1986

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 23 Dec 85 p 3

[Article by Bai Changhui [4101 1603 2585] and Feng Xiao [7458 1366]: "Big Increase in Handicraft Exports for China Next Year"]

[Text] China's handicraft exports, which earned $5.5 billion in foreign currency during the Sixth 5-Year Plan, will develop fairly rapidly during the Seventh 5-Year Plan beginning next year. This was revealed in a press interview by Yu Zhiting [0060 0037 1656], general manager of China National Arts and Crafts Import and Export Corporation.

Yu Zhiting said: "The production and export of China's handicraft products have had a long history, and many of these products are well received by foreign customers. China has developed its handicraft exports fairly rapidly since the founding of the People's Republic 36 years ago. Especially in the 31 years prior to 1981, the exports developed almost from scratch at the average rate of 14.7 percent each year, and the products were sold in 170 countries and regions. In the past several years, however, the slow-down of economic growth in the Western capitalist countries, the drastic changes in demand and supply in the handicraft product market, the readjustments and improvements for the structure, quality, variety, styles and models of China's handicraft exports, and the failure of our export management to keep pace with the current developments all combined to slow the speed of increase. Nevertheless, China's handicraft exports could still bring in $5.5 billion in foreign exchange, a fairly good performance."

As for the trend of future development, Yu Zhiting envisaged a fairly big increase in China's handicraft exports during the Seventh 5-Year Plan. "Next year will be the beginning of the Seventh 5-Year Plan, and at the very beginning of that year, the main effort will be directed at streamlining the relationship between production and marketing, strengthening the management and regulation of exports, and improving export service. We will also produce more easily marketable goods, organize the supplies, and gradually set up a complete and rational system of production for exports."

Yu Zhiting continued: "Sales promotion will be continued next year mainly in the United States, Japan, Western Europe, Hong Kong, Macao and other key markets for our exports. At the same time, active efforts will be made to open our markets in Oceania, Southeast Asia, the Middle East, Latin America, the Soviet Union, Eastern Europe and Africa."

In conclusion, general manager Yu Zhiting said emphatically: "There is a good market abroad and good potential at home for China's handicraft exports in addition to many favorable conditions for us to further increase our exports. The strong support and close cooperation from our overseas agents are one of these favorable conditions. Next year, in the China National Arts and Crafts Import and Export system, efforts will be made to improve and strengthen the work of export services so as to bring about closer cooperation with our customers, old and new, abroad. Let us wish our overseas agents and customers a very prosperous year ahead!"

9411
CSO:4006/620

FUJIAN ESTABLISHES OPEN ECONOMIC ZONES ON FOUR LEVELS

Shanghai WEN HUI BAO in Chinese 21 Apr 86 p 1

[Article by reporter Shen Jiqing [3088 0679 1987]: "Fujian Establishes Open Economic Zones on Four Levels"]

[Text] Situated in a forward position in east China, Fujian Province has made use of the open door policy in a flexible manner to establish economic zones open to foreign countries at four different levels stretching from the coastal area deep into the hinterland. The multilevel form for the implementation of the open door policy has caught the interest of people at home and abroad.

The first level in opening Fujian to the outside world is the Xiamen SEZ which is in the forward position in the implementation of the open door policy. Its area has been expanded to the entire 131 square km of the island. A land, sea, and air communication network has been established with the outside world. Direct-dial telephone service has been inaugurated with 24 large and medium cities in China and foreign countries. Four new 10,000-ton berths have already been put to use. The newly established Huli Industrial Zone is gradually taking shape. Last year, the production value of the "three capital" enterprises (joint capital, cooperative capital and sole capital) came to 18 percent of the total industrial production value of the entire city.

The second level open to foreign countries is the city of Fuzhou which has made serious efforts to bring in foreign capital to remold its old enterprises and to engage in the construction of its basic facilities. Capital construction of the 4.4 square km Mawei Economic and Technical Development Zone east of Fuzhou has been completed. Foreign businessmen engaging in investment and the establishment of enterprises are accorded privileges second only to those accorded the SEZ's. Now under discussion in the development zone are over 20 joint ventures, and contracts for 5 projects have already been signed.

The Xiamen-Zhangzhou-Quanzhou delta area represents the third level in opening up the province to the outside world. This area includes the 11 counties (cities) which make up the hinterland of the Xiamen SEZ. Bu taking advantage of the position enjoyed by overseas Chinese originally hailing from that region, the counties have been able to absorb outside capital to establish various types of joint enterprises.

The cities of Putian, Sanming, and Longyan and such prefectures as Ningde represent the fourth level in opening up the province to foreigners. By making use of their natural resources, they also have been able to absorb foreign capital to engage in joint enterprises.

The implementation of the multilevel open door policy not only makes it possible to attract foreign capital through various sources, but also helps to channel capital and technology from the coastal area to the hinterland to promote the economic development of the entire province. By the end of last year, the province had signed 1,993 economic contracts of various types with foreign businessmen, imported $889 million in foreign capital and established 699 "foreign capital, overseas Chinese capital and Hong Kong and Macao capital" enterprises. The per capita income of the people of Fujian has jumped from 22d in the nation in 1978 to 16th today.

9621/12951
CSO: 4006/1044

FOREIGN TRADE AND INVESTMENT

ECONOMIC, TECHNOLOGICAL EXCHANGES BETWEEN FUJIAN, MACAO FLOURISH

HK170303 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0146 GMT 15 Jul 86

[Text] Fuzhou, 15 Jul (ZHONGGUO XINWEN SHE)--There have been frequent economic and technological exchanges between Fujian and Macao in recent years.

The Fujian International Economic and Technological Cooperation Company, which mainly contracts overseas projects, set up a technological service limited company Macao in 1984 and undertook the construction of five industrial buildings, including the Cheung Lung Industrial Building and the Ruk Tai Industrial Building, with the volume of contract totaling over HK$110 million. This year the company contracted the construction of the International Center and Fuk Wing Mansion, which cost HK$130 million and HK$5 million, respectively. The company also set up the Wai Hoi Company limited and the Fuk Tai Paper Products Company limited in Macao, with a total investment of HK$1 million.

Macao's businessmen have also come to Fujian one after another to run joint ventures. Macao's Hei Li Decoration and Design Engineering Company, Cheung Hing Furnishings Company, Hua Chuan Engineering Company Limited, Kam Chiu Trading Company, Macao Feng Cheung Company, Lung Hua Trading Company, and other industrial and commercial enterprises have run a number of joint ventures and cooperative enterprises with Fujian, including the China Fuk Li Decoration and Design Engineering Company, Tung Hua Industrial Company Limited, Hsin nga Furniture Company Limited, and Aquatic Products Development Company. Business of these enterprises included decoration, electronic products, tourism, paper products, furniture, breeding of aquatic products, property, garments, leather products, and car maintenance. Of these, investment made by Macao businessmen totaled over $15 million. In 1985, Fujian's relevant departments approved the construction of the Fuzhou International Hotel, to be handled jointly by Fuzhou and Macao, with a total investment of around $10 million. Since its establishment in 1985, the Fujian-Macao construction Development Company Limited, jointly run by Fujian and Macao's Wai Hoi Development Company Limited, has undertaken construction and decoration projects. Its volume of business has totaled 37 million yuan.

Since 1979, the volume of Fujian's commodities exported to Macao has reached $27 million. Meanwhile, Fujian has undertaken the business of processing goods for Macao's entrepreneurs.

/8918
CSO: 4006/1184

FOREIGN TRADE AND INVESTMENT

BRIEFS

ZHEJIANG 1985 EXPORTS--According to information from departments concerned in Zhejiang, the export volume of the province reached $774 million at the end of November and is expected to exceed $870 million, more than trebling 1980's $240 million this year. According to the information, the grand total of Zhejiang's export volume in the past 5 years was $5,237 million with an average annual increase of some $100 million at a 29.7 percent progressive rate. Zhejiang's export trade has developed fairly rapidly since it took over the management of its own exports in 1982. The varieties of its export commodities were increased from the original number of 400 to the present 800, and are sold in 120 instead of the former 80 countries and regions. Among its export commodities are pearl tea, Shaoxing wine, Meilin canned food and silk, all of which are enjoying good reputations abroad. Some of them even won international awards. The joint ventures with Chinese and foreign investment have also shown initial success. From January to November this year, these enterprises exported $2.84 million's worth of goods, and the amount is expected to be increased to $3.5 million in the year. The export volume of Xihu Rattan Products Plant, the first joint venture, may reach $1.4 million in value this year. [Article by Du Youlin [2629 0645 2651]] [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Dec 85 p 3] 9411

EASTERN EUROPEAN TEXTILE EXPORTS--This year, China exported to the Soviet Union and the Eastern European countries textile products and garments of more than 1.36 billion Swiss Francs, equivalent to more than $600 million, in value, a 76 percent increase over last year. In the past several years, China's textile exports to the USSR and the Eastern European countries increased fairly rapidly. The value of exports of $130 million in 1982 was increased to $340 million in 1984, and then to more than $600 million this year. The rate of increase in its export volume this year over last year was 41.6 percent for the USSR; 407 percent for Poland; 131 percent for Czechoslovakia; 174 percent for Hungary; and 40 percent for the Germany Democratic Republic. China's textiles have become the traditional products and are enjoying brisk sales in these countries, which will become China's second largest textile market. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 23 Dec 85 p 3] 9411

JIANGSU'S 1985 EXPORTS--Jiangsu fulfilled its export quota for the current year on 20 December, 10 days ahead of schedule, with an export value of $1,493 million, a 5.94 percent increase over the same period last year. It is expected to reach $1.5 billion by the year end. According to an official of the foreign economic relations and trade department, the foreign trade enterprises in the province have been very enthusiastic in their production for foreign trade. The branch corporations for the import and export of light industrial products, foodstuffs, edible oil, native products and animal products and 68 plants have produced for exports in joint operations. The supply of commodities for export is steady and their quality has been improved. [Text] [By Gao Feng [7559 1496] and Zou Guofang [6760 0948 5364]] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 31 Dec 85 p 3] 9411

HEILONGJIANG EXPORT PLAN--Heilongjiang Province fulfilled its annual export plan by 63.4 percent in the first half of 1986, showing an increase of 65.5 percent over the corresponding period of 1985 and setting a record. [Excerpt] [Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 12 Jul 86 SK] /8918

JOINT VENTURE ENTERPRISES INCREASE--Beijing, 1 Jul (ZHONGGUO XINWEN SHE)--China has to date run 144 joint venture and wholly owned enterprises in 34 countries and the Hong Kong and Macao region, involving a total investment of $239 million. Based on a 1 July JINGJI CANKAO report, China is now negotiating on another 300 or so joint venture projects abroad, spread all over Asia, Africa, and Latin America. The majority of the 144 China-run enterprises abroad go in for natural resources development, product processing, building projects, navigation services, banking and insurance, advisory services, and the catering business. They are spread all over the United States, Japan, Canada, West Europe, Latin America, the Middle East, Africa, and South Asian countries, as well as the Hong Kong and Macao region. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1236 GMT 1 Jul 86 HK] /8918

TIANJIN FOREIGN TRADE SYMPOSIUM--The municipal foreign trade symposium held jointly by the Science and Technology Work Department of the Tianjin Municipal Party Committee and the Municipal Foreign Economic Relations and Trade Commission opened in Tianjin Guesthouse yesterday. Besides the experts and workers of the departments concerned in the city, experts and scholars from Beijing, Shanghai, Wuhan and Shijiazhuang were invited to participate. The main topic of the meeting was the adoption of effective measures to make better use of Tianjin as a coastal economic center and a foreign trade port in order to expand foreign trade and earn more foreign exchange. Vice Mayor Li Lanqing [2621 1526 3237] said in his speech: The vigorous development of foreign trade should be viewed and practiced as a strategy for the economic development of Tianjin city. We must systematically and gradually change the production structure and focus our efforts on the international market. He accordingly raised such issues as the establishment of a number of base plants for exports and some arts and crafts enterprises for improving the quality and raising the grades of products, the full utilization of the harbor facilities and the formation of a regional port and a foreign trade corporation for unified action in dealing with foreign traders. He not only gave his own ideas but also set the task for the participants to study. [Text] [Tianjin TIANJIN RIBAO in Chinese 13 Nov 85 p 1] 9411

TIANJIN HEATING PROJECT--Mayor Li Ruihuan met with Vice Mayor [Simeizi] of Helsinki, Finland; Director [Engewaer], President [Nobeike] and Vice President [Baweilaining] of Swedish-Finnish International [Yikepaipu] Corporation, and other Swedish and Finnish guests yesterday morning. Both the host and the guests held friendly talks on cooperation in heating for Tianjin City. As revealed by the department concerned, heating has been listed as one of the key projects for next year. For the purchase of buried thermo-pipes required in heating, the consultation companies under the Tianjin Foreign Trade Promotion Association have conducted investigations and study in the products of six different foreign enterprises. After analyses and comparisons, the products of [Yikepaipu] Corporation were chosen, and a contract was signed with this corporation by the Tianjin International Trust and Investment Corporation. Work on this project is now being organized on a limited scale by the Tianjin Municipal Key Project Command and the Municipal Water Supply Bureau. [Yikepaipu] Corporation has also dispatched its experts to provide on-the-spot guidance. [Text] [By Hao Zhaoguang [6787 3564 0342] and Xiao Zhuang [4194 8369]] [Tianjin TIANJIN RIBAO in Chinese 13 Nov 85 p 1] 9411

CSO: 4006/614

SPECIAL ECONOMIC ZONES

LILUN YUEKAN ARTICLE URGES DEEPENING REFORM

HK181301 Beijing LILUN YUEKAN in Chinese No 6, 25 Jun 86 pp 4-9

[Article by Liang Xiang [2733 3276]: "Deepen the Reform, Continue to Forge Ahead"]

[Text] Under the correct leadership of the party and with the energetic support of the people throughout the country, the consturction effort of the Shenzhen Special Economic Zone, after 5 years of exploration, has scored relatively great achievements. Reviewing and summing up past work and peering into the future, we can further unify thinking, set clear-cut goals, uphold reform, and press forward triumphantly.

1. Sum Up Experiences and Deepen Reform

In line with the instructions of the central leadership comrades, the tasks of the special zone can be summed up as the following three aspects: 1) Giving full play to the pivotal role of four "windows"--technology, knowledge, management, and foreign policy--and of two "fans" with their effects on our and other countries; 2) making bold explorations as an area experimenting with structural reform and providing useful experiences for other inland areas in structural reform; 3) serving as a base for the training of skilled personnel, enabling more cadres to obtain two sets of skills in organizing domestic construction and developing economic relations with foreign countries. The special zone's experience of 5 years shows that the guideline of establishing the special economic zone is correct and that the policy of opening up put forth by the central authorities is correct. Achievements relatively obvious are as follows:

1. A relatively good environment for investment has been established. In 5 years, there was an investment of 6.4 billion yuan in capital construction, with work completed on an area of 9.3 million square meters. Work on 37 square kilometers of "fundamental construction in seven fields with the leveling of earth" [qi tong yi ping 0003 0001 1627] was completed. A 200,000-ton waterworks was built. In the field of electric power, a connection was made with the big power network of Guangdong Province. In telecommunicaitons, 11,000 program control telephones were put into use with direct links with Hong Kong, the United States, and more than 20 cities of the country. One-third of the investment in construction came from city revenue

and money raised by enterprises themselves. The balance comprised bank loans, foreign investments, and funds from various central departments and provinces and cities. Direct investment from the state accounted for only 3.7 percent.

2. With the development of industry, the economy has been thriving. Shenzhen originally had only some small factories, with only 8,000-odd workers. It has now reached the stage of development with eight main industries--electronics, textiles, light industry, machinebuilding, medicine, petrochemistry, construction materials, and food processing. It has more than 800 kinds of products turned out by itself, with 90,000 workers. Total industrial output value for 1985 reached 2.67 billion yuan, an increase of 60 percent compared with 1.66 billion yuan in 1984, and a 44-fold increase compared with 60 million yuan in 1979. There are more than 400 industrial products for export with a total value of U.S.$300 million, accounting for 41 percent of the total sales volume of industrial products.

3. Advanced technology and foreign investments have been brought in. By the end of 1985, 4,708 agreements had been signed with businessmen from 17 countries and regions, with an agreed investment of $3.56 billion. Foreign investments already put to use reached $970 million, accounting for about one-seventh of the total amount of direct foreign investment received by the whole country.

4. The role of "windows" and "fans" with their effects have been initially brought into play. Through importing and transferring technologies, the China Integrated Textile Limited Company, the Shenzhen Aviation Standard Pieces (Jian 0115) Limited Company, The Shenzhen Zhongguan Printing and Dyeing Limited Company, the Shekou China Silk Company, and other units have produced a good effect on raising the production and technical levels of inland enterprises.

5. The people's living standard has shown a marked improvement. The wage level of the special zone averaged 200 yuan. The average wage of cadres and workers of administrative units and institutions in 187 yuan. In 1985, the per capita income of peasants in the special zone reached more than 1,500 yuan. More than 80 percent of the peasants built new housing.

The development of the Shenzhen Special Zone has produced a positive effect on Hong Kong and Taiwan and helped in removing some Hong Kong Compatriots' doubts about Hong Kong's future. Through the special zone, Taiwan compatriots have come to observe our party's policy of opening up. The special zone's existence and development have strengthened their confidence in the reunification of the country. Meanwhile, the development of the special zone has aroused increasing concern from foreign countries.

Now everyone shows great concern over whether the reform in the special zone will succeed. For a socialist country to run a special economic zone is a new thing. It is an exploratory effort toward the buidling of socialism with Chinese features. The central authorities demand that the special zone must act as a testing ground for reform, must "make a break with the existing system" to carry out reforms, must "take a special approach to special things and a new approach to new things and be unchanged in stand with totally new methods adopted," and must boldly carry out reforms, but in a sure-footed manner. In line with the spirit of these instructions, what can be described as an initial reform took place from 1981 to 1984. It found expression as follows:

1. It was a reform from one item to another. For example, there were the enlargement of enterprise decisionmaking power, the liberalization of market prices for rural products and the market for the means of production, the simultaneous reform of the wage system and the price structure, and so forth.

2. It was a reform focusing on simplifying administration and delegating power and enlarging enterprise decisionmaking power. Relatively big changes were made in the personnel system, labor system, and government organs.

3. The invitation of tenders for construction projects and the introduction of contracts at all levels in an enterprise were taken as breakthroughs in reform to give a boost to other reforms.

4. The development of the commodity economy and the realization of distribution according to work. It was mainly a gradual release from the bonds of the following: unified control over people's needs and over distribution, unified control over appropriations and expenditures, the practice of eating from the same big pot, and egalitarianism.

The structural reform and the upgrading of ideas had become increasingly popular with people. People had come to realize the importance of the time factor, efficiency, the market, economic results, the concept of profitability, and the pioneering spirit. Reform produced a great effect, with successes obtained in the initial battle.

On this basis, we again proceeded with new reforms. Beginning in 1985, we entered the stage of overall reform. The stage of overall reform has four features:

1. The reform of system and reforms carried out as parts of the whole. The main task called for the perfection of various management systems, including micro control, macro control, and control in special fields and the coordination of their mutual relations.

2. A reform with financial operations as its focus. Reform of the financial system is geared to the way the special zone market operates. By relying chiefly on the nature of how funds operate, financial market mechanisms are brought into play enabling the whole economic operation to come alive.

3. With trade associations as points of penetration and through the establishment of various trade associations, guidance is given and control exercised in a planned manner. Meanwhile, stimulation is given to the exercise of control by social organs over matters between trades, in order to develop more extensive or "lateral" ties. Thus, things operate effectively with administrative means reduced.

4. A switchover from initial reform to overall reform. A main change lies in developing extensive ties, establishing a market system, and making the fullest use of the market mechanism and perfecting it in practice.

The deepening of an overall and systematic reform requires us to more consciously act in line with the theory about the socialist planned commodity economy and to observe and apply the law of value, the law of supply and demand, the law of competition, the law governing commodities and money, and so forth. Meanwhile, the development of an overall and systematic reform also enables us to more firmly beleive that without the reform, there would be no prosperity in the special zone and no thriving growth there.

2. New Tasks in Building the Special Zone Under New Conditions

In the spring of this year, the national special economic zone work conference suggested that during the Seventh 5-Year Plan period, the special economic zone must go a step further, march forward in the direction of an externally oriented economy as an objective of struggle, give full play to the pivotal role of "four windows" and "two fans" and serve better the national effort toward socialist modernization. The conference stressed that, at present, we must seriously sum up experiences. Work must catch up with the changing situation. We must uphold high standards, set strict demands, reduce the scale of capital construction, ensure production, achieve high level, and seek results.

In our opinion, these demands by the special zone work conference are in line with the realities of Shenzhen and must be resolutely upheld and carried out. First as far as strengthening macro control throughout the country as a whole is concerned, the special zone economy is part of the socialist economy and is a necessary and wholesome supplement to the socialist economy. The building of the special zone is not free from the restraints of the whole national economy. Excessive scale of capital construction in the special zone will also have an effect on the development of the national economy and also a harmful effect on the further development of the special zone's economy. Therefore, we must make arrangements for parts with the whole in mind. Second, as far as the special zone itself is concerned, after several years of construction, there is a need for digestion, consolidation, and improvement, in order to better act in line with the nature of the special zone and its tasks and its effects on our and other countries. Thus, we can further do our work well and give full play to the various potential strong points of the special zone, so that they can play a still greater part in developing economic cooperation and technical exchanges with foreign countries and stimulating the modernization of the motherland. This is like fighting. After a major battle, there is a need for summing up experiences, consolidating forces, and rearranging plans, in order to prepare for still greater victory in the next battle.

At present, the whole situation is developing in a way favorable to us. Its main manifestation are:

1. The guiding idea of "not tightening but loosening" has become more clarified.

2. The guideline about "the whole country supporting special zones and special zones serving the whole country" has left an increasingly deep imprint on the minds of people.

3. The ever greater consolidation of the political situation of stability and unity throughout the country and throughout the province, the further deepening of the structural reform, the strengthening and improvement of macro control, and the maintenance of the development of the national economy in an overall, coordinated, and quick manner--all these provide favorable conditions for our further running well the special economic zone.

4. After more than 5 years of construction, Shenzhen has further improved its environment for investment and has increasingly strengthened its attraction for foreign countries. Despite greater difficulties experienced last year, it still achieved sustained and steady growth. This pointed to the special district's adaptability and capacity for absorption. A relatively good material foundation has initially been laid for the development of an externally oriented economy.

5. After several years of practice, the masses of cadres in the special zone have acquired through groping and accumulated certain experiences and have developed more talents. Especially since party rectification, they have summed up experiences, raised their ideological awareness, and strengthened party spirit, laying an ideological foundation for the further development of the special zone.

Generally speaking, the situation is favorable. There are many favorable factors. Of course, many difficulties and problems still beset the development of the special district's undertaking, such as lack of funds, shortage of electricity, weak links still existing in management, and so forth.

In line with the spirit of the national special zone work conference and our city's concrete conditions, we defined the guiding ideas for our work in 1986 as follows: We must insist on opening up, deepen the reform, straighten our relations, strengthen management, develop an externally oriented economy with industry as its focus, reduce the scale of capital construction, ensure production, achieve high levels, seek results, and lay a good foundation for the further development of the special zone.

1. We must bring the scale of capital construction under control and rearrange the mix of investments. To realize the strategic objective for the development of the special zone during the Seventh 5-Year Plan, we must ensure the achievement of a social industrial structure, with industry as its focus, in regard to the amount of investment, orientation, and composition to enable other industries to link up as parts of the whole. Increased investments in commerce, hotels, the tourist industry, and hospital facilities must be compatible with the development of the special zone. The scale of capital construction this year must be strictly held down to the level of 1984. In controlling the investment in capital construction, we must not only control the amount of investment but also pay attention to readjusting the mix of investments and sorting out projects. By readjusting the mix of investments, we can guarantee the construction of priority projects. Here lies the key

to success in controlling the amount of investment in capital construction.

2. We must focus on the development of an externally oriented industry, stimulating an upsurge in the whole economy. First, we must introduce the guideline of integrating industrial, commerical, and technical workers, and energetically develop an externally oriented industry. We must uphold the principle calling for "what is light in weight, compact, advanced, and new," and put the emphasis on developing light and textile industries, and other traditional industries such as building materials, food processing, sophisticated machinery, petrochemistry, and so forth, which are provided with advanced technology and equipment and capable of producing quick results with little money invested and earning a good amount of foreign exchange. Through such patterns as call for "industrial, commercial, and technical workers," "traders, industrial workers, and peasants," and so forth, we must unite forces in the three fields--production, circulation, and technical knowhow--and strive to improve the quality of existing products and to energetically research and produce new products and develop new markets. In line with the needs of the Hong Kong and the international market, we must pay more attention to fine quality, high standards, and what is in shortage and give priority to the development of "most salable" products. The aim is to enable the special zone to put more industrial products produced by itself on the international market, thus further expanding exports and earning more foreign exchange.

Second, we must coordinate in a unified manner efforts to combine introducing what is from abroad with organizing relevant domestic forces and pay attention to selection and screening. Through investment negotiations, discussion meetings, exhibitions, and other patterns, we must energetically bring in foreign funds and advanced technologies and develop new industries. Meanwhile, we must rely on domestic industrial forces to combine the strong points of the special zone and inland industrial bases and strengthen the attraction of the special zone and the competitiveness of its products. We must select for the purpose of integration enterprises economically and technically relatively strong and capable of producing competitive products on the international market, or areas with rich resources. We must make a point of transplanting imported advanced technologies and scientific management methods to inland areas and giving full play to the pivotal role of the special district as "four windows" and "two fans."

Third, we must pay attention to agricultural production. Our city is close to Hong Kong. Much can be achieved by developing agriculture, which is an important pillar of the effort to earn foreign exchange. We must seriously uphold the spirit of the "1986 Rural Work Plans of the CPC Central Committee and the State Council" and make a practice of enabling industry to supplement and support agriculture and simultaneously launching industry, sideline occupations, planting, the breeding trade, and fishery. We must continue readjusting the mix of products, improve production conditions, develop intensive farming, and provide proper services needed before and after production. We must strive to increase live products of good quality and high grade, in great variety, and suited for the market. We must develop the processing of agricultural and sideline products and strive to raise the rate of production of commodities in the field of agriculture.

Fourth, we must energetically readjust the composition and distribution of tertiary industry and raise the quality of products. Commerce must be continuously enlivened. State commercial enterprises must energetically organize the sources of goods, increase or reduce commodity inventories, hold down commodity prices, add to networks, and give the masses every convenience. Foreign trade departments must take the initiative to properly coordinate economic ties with industry and agriculture and be keen on providing market information for industrial and agricultural production and paving the way for production and marketing. The tourist industry and catering and other service trades must pay attention to develop medium and low grades of service and make a point of studying the quality of services and continuously improving the qulaity of the relevant force, the level of management, and economic results. Communications, transportation, storage, banking, and other sectors must energetically provide good services for the development of an externally oriented economy.

Fifth, we must further improve the environment for investment and focus on doing a good job of perfecting and linking the fundamental facilities of existing developed areas. We must especially concentrate limited funds on properly handling the building of energy, telecommunications and transportation industries. We must draw up policies offering more favorable treatment in introducing what is from abroad and organizing relevant domestic forces. We must establish and perfect various economic laws and regulations. We must resolutely stop bad practices derogatory to the reputation of the special zone, such as freely collecting fees, imposing high charges, "pulling a feather off any wild goose," and so forth. We must simplify the procedures for doing business and raise efficiency.

Sixth, we must establish an information network for the special zone and extend business to areas abroad. This year, we must strive to establish special zone trade organs in the United States and Japan and some countries in Southeast Asia, keep well informed of international market conditions, pave the way for sales outlets, gradually establish well-informed news networks and thriving sales networks, and expand trade with foreign countries. We must energetically run well Shenzhen as an economic news center and develop information and consulting industries to provide information services for the enterprises of the special zone.

3. We must deepen the reform, and establish and perfect an economic system compatible with the development of the special zone. The main demand of this year's reform is that, in line with the central decision on the reform of the economic system and the spirit of the Seventh 5-Year Plan, we must consolidate, digest, supplement, and improve on the results of reform achieved several years ago, so that reform can produce still greater results. Meanwhile, focusing on the development of the rule of the market mechanism, we must gradually establish and perfect the system of macro control at the special district level with indirect control as its focus appropriately reform government organs in charge, enabling reform work in the special district to deepen.

Regarding the system of enterprise control, we must seriously reorganize parent companies and holding companies with government administrative powers and realistically achieve the aim of separating government administration and enterprise management, so that enterprises can really become relatively independent economic entities. On the basis of stocktaking and accounting, state and collective enterprises must establish and perfect the manager (factory director) responsibility system involving set objectives during a given tenure. Enterprises connected with the organization of domestic forces and those directly involved in foreign trade must introduce a manager responsibility system under the leadership of a board of directors. During his tenure, the manager must be responsible for enterprise profits and losses and also hold himself responsible for enterprise assets. Focusing on enlivening an enterprise, he must try to improve its matters of operation and management, perfect its economic contract responsibility system, introduce economic accounting and the system of accounting and auditing, perfect the system of democratic management, and further stimulate and develop extensive economic ties that cut across departments and across areas.

Regarding the market mechanism, we must give full play to the pivotal role of the special district in building connections between domestic and international markets. We must expand the market related to commodities, technology, funds, foreign exchange, and information, and further reform the price structure and perfect the pricing system of combining [word indistinct] price and market price. Meanwhile, we must adopt effective measures to stimulate the rational circulation of labor. We must gradually establish a regulatory mechanism of macro control with indirect control at its focus, and comprehensively apply pricing, credit, taxation, and other economic means to maintain the coordinated operation of the macroeconomy.

Concerning the system of controlling credit funds, we must establish a financial system with indirect financing as the primary and direct financing as the secondary factor, gradually establish various patterns of financing, and liberalize the money market in a controlled manner. The central bank of the special district must strengthen leadership and control over various specialized banks and non-bank monetary organs in matters of business and give full play to its supervisory and regulatory role.

Regarding the financial system, we must study new taxation systems and tax rate differences suited for the development of the special zone, in order to achieve the aim of encouraging or restricting the development of certain undertakings and increasing revenue.

Regarding the system of controlling foreign trade, we must adhere to the principle calling for "unified policy and unity in approach to matters of foreign trade" and establish a foreign trade control system suited for the development of an externally oriented economy for the special district.

The administrative control system must also be further reformed. We must establish a highly efficient control system suited for the special district's economy and try to properly bring about a comprehensive balance. Various government departments must apply economic legal, and necessary administrative means, giving full play to its functions involving decisionmaking, guidance, supervision, control, and regulation. Meanwhile, we must actively create conditions, establish trade associations, consumer councils, and other social organizations to help the government in taking good care of the economy. Reforms in cultural, educational, scientific and technical fields, and about matters of political science and law, port affairs, control of capital construction, matters related to the workers, wages, and so forth must be further explored and perfected.

4. We must strengthen management and improve results. This year, we must attain higher levels and bring about results. This must be tackled as an important task. Thus, we must put the strengthening of management and the improvement of economic results on the agenda. To this end, we must direct simultaneous efforts toward macro control and micro control.

Regarding macro control, we must, in line with the general guiding idea calling for a fundamental balance between overall demand and overall supply, do a good job of making macroeconomic forecasts to bring about a balance in the financial budget, credit funds, commodities, foreign exchange, the population, and labor and a balance between them. We must strictly control credit funds and consumption funds. In using loan money, we must prudently study whether we can afford to repay it. We must guard against blindly using it without regard to objective conditions. Consumption funds must be strictly controlled and the purchasing power of social groups must be restrained. We must strictly control the wage level and prohibit the practice of freely raising wages and freely giving away money and things. We must further perfect the system of foreign exchange control and use limited foreign exchange in a proper, flexible and effective manner. Meanwhile, we must carry on with the business of sorting out and reorganizing things in eight respects that began last year. We must establish and perfect various laws and regulations and systems and give full play to the role of wages, taxation, pricing, and other economic levers. We must make a gradual switchover from direct control to indirect control as the dominating factor and form a highly efficient economic supervisory system that combines division of labor with cooperation and organically combines legal, economic and administrative means.

In exercising micro control, we must make a penetrating study of problems in enterprise management and give guidance put in different categories. We must continue enlivening things without restraint and establish and perfect various regulations and systems, perfect the economic responsibility system and the on-the-job responsibility system, strive to improve enterprise management, do a good job in making market forecasts and business decisions, and carry various levels of management and operation one step nearer perfection. We must strengthen city control work in regard to communications, public security, city appearance, and so forth, and strive to turn Shenzhen into a new rising city that is full of life and also neat, tidy, and peaceful.

In sum, there must be a new breakthrough in this year's business of control. We must strive for a relatively big improvement in enterprise economic results and social benefits.

5. We must pay attention to intellectual development and improvement in the quality of cadres and workers. The special zone must develop an externally oriented economy and continuously increase the competitiveness of its products on the international market. As far as this is concerned, skilled personnel represent a decisive factor. Several years ago, we did a large amount of work in recruiting, training, and using skilled personnel and achieved very satisfactory results. But the quality and the number of existing skilled personnel, on the whole, still fall short of the needs of the rapid development of the special district's undertaking.

In solving the problem of skilled personnel in the special district, the main thing is to do a good job of intellectual development in the special zone itself and follow our own path of training skilled personnel. At various levels, through many channels, and in various forms, we must use party schools, colleges and institutes of higher learning to train cadres and workers. In line with the needs of the development of the special zone and what the quality of existing cadres and workers is like, we must make overall arrangements for the training of skilled personnel and give priority to the training of leadership cadres, high-level technical management personnel, and the third echelon. We must strengthen training in a second language and cultivate more people with foreign language skills. In line with the needs of production and management, we must seriously make plans for the training of skilled personnel and submit them to the higher levels for the record. We must organize training in relevant skills and vocational training.

We must also pay attention to the rational use of skilled personnel and stirve to achieve the aim of knowing a subordinate enough to make the fullest use of his abilities, assigning jobs to people according to their abilities, giving full scope to a person's abilities, and letting there be no waste of a person's abilities. In our approach to the existing skilled personnel in the special zone and especially in recruiting skilled personnel in various fields, we must make rational arrangements for their use in light of what they specialize in and their specialities, so that there can be scope for a talent's abilities.

6. We must continue properly handling the building of the party and the building of spiritual civilization to bring about a further turn for the better in the party style and social practices in the special zone. We must do a good job of party rectification from beginning to end. This is a need in improving party leadership and ensuring the healthy development of the special district's undertaking. We must continue paying intense and proper attention to the matter. At present, we must seriously uphold the spirit of the (1985) Document No 57 issued by the General Office of the CPC Central Committee and link reality with the rectification of the work style of organs. We must advocate being honest and faithful in serving the public, show willingness to be "oxen set to reclaiming wasteland," and oppose such practices as abusing power to serve private ends, lining a person's own pockets at the expense of the public, going in for ostentation and extravagance, and throwing money about. We must insist on employing people "from all corners of the world" and "appointing people on their merit." We must oppose establishing strongholds, practicing sectarianism, and "appointing people by showing favoritism." We must advocate going deep into lower levels and making

investigations and studies and resist bureaucratism which is divorced from reality. We must combine rectification with correction and resolutely rectify unhealthy practices. Major and important cases exposed, especially those involving party member leadership cadres, must be looked into as quickly as possible and seriously dealt with.

In rectifying the work style of organs, we must start with leadership organs. Leading cadres must set personal examples. The Standing Committee of our city CPC Committee has decided to take the lead in living up to the following requirements: 1) We must seriously study fundamental Marxist principles and the party's general and specific policies on the proper operation of the special zone, and raise our capacity for foresightedness and creativity in work performance. 2) We must get deeply involved with reality, widely promote the practice of making investigations and studies, speak less empty talk, and do more concrete things. We must go deep into the midst of lower-level units to make investigations and studies, doing so for not less than 3 months in 1 year and writing one or two reports by linking reality with theory in investigation and study. 3) We must take the lead in rectifying party style, insist on participating in the activities of the party group in a given area, consciously accept supervision from the masses, realistically take good care of the party work style and party discipline in units under our control, and introduce the responsibility system concerning party work style and party discipline. 4) We must perfect the system of democratic life. The Standing Committee must call a meeting on democratic life once every half a year to unfold criticism and self-criticism, exchange confidences to get rid of misunderstanding and bring about unity and mutual help. 5) We must show the revolutionary spirit of fighting amidst hardships, strictly practice economy, oppose extravagance and waste, and strive to turn the party organization into unified, tough, upright, and high efficient militant collective.

We must also perseveringly seek the proper handling of the building of socialist spiritual civilization. Strengthening of the building of spiritual civilization in the special zone is a task of an important, urgent, and arduous nature peculiar to itself. We must first further clarify the guiding idea of "taking care of the two civilizations at the same time" and put on a solid basis the 5-year plan for building spiritual civilization, that is, "That Program for Building Social Spiritual Civilization in The Shenzhen Special Economic Zone." We must take good care of regular theory studies for cadres and strengthen education in the situation, education on "four haves" [si-you 0934 2589], education on the four fundamental principles; education on the need to uphold the policy of reform and openness; education on the concept of the whole situation; education on state discipline; ideological education on collectivism, patriotism, socialism and communism; education on revolutionary traditions; and education on the legal system. We must further handle well the business of cultural control and resolutely get rid of all social garbage and cultural garbage harmful to the people physically psychologically. We must adopt the method of comprehensive treatment to consolidate social order and take good care of social peace and security and resolutely hit out at various criminal activities and serious economic crimes. Through the building of the party and the building spiritual civilization, we must bring about a still bigger turn for the better in party work style and social practices to ensure the continuous development of the special district's construction cause in the socialist direction.

/8918
CSO: 4006/1186

SPECIAL ECONOMIC ZONES

GUANGMING RIBAO ON SHEKOU ECONOMIC REFORM

HK101011 Beijing GUANGMING RIBAO in Chinese 21 Jun 86 p 3

[Article by Yuan Geng [5913 1649]: "A Probe into Economic Structural Reform in the Shekou Industrial Area"]

[Text] Abstract: In our economic structural reform, we must break away from the confines of regions and departments. From the very beginning, the Shekou industrial area made a breakthrough in lateral economic relationships, thereby touching the traditional economic mode on its most sensitive part. However, breaking away from such restrictions does not mean completely solving the problem concerning the old system. We should also carry out a number of system reforms. The Shekou industrial area is carrying out the following reform experiments: It is reforming the personnel management system, allowing talented people with education, potential, and ideals to take part in management work; it is removing the "iron chairs" of cadres and encouraging the practice of promoting and demoting cadres through public polls; it is reforming the labor system the following the principle of issuing wages and bonuses according to enterprises' operational results and personal contributions, under which workers who violate contracts can be fired; it is establishing highly capable and efficient government organs; it is encouraging the people to have stronger senses of time, competition, trust, information, equality, morality, and, in particular, democracy and the legal system; and it is eliminating bureaucracy, the patriarchal system, life-long tenure, and all types of privileges in the political system. Only in this way can it really form a socialist commodity economic system. [end abstract]

China's economic structural reform is a very complex and difficult matter.

As everyone is aware, China's traditional economic mode determines enterprises' activities and destiny according to departmental or regional administrative subordination. Funds, materials, talented people, the labor force, technology, and equipment are all controlled by departments or regions, which are separate from each other. Enterprises are subordinate to departments or regions and carry out their activities according to the will of the leading officials departments or regions. They are prone to ignore the law of commodity economic development and run counter to the requirements for large-scale modernized production. Naturally, their activities cannot be reational. We have understood since the very beginning that success or failure in the Shekou industrial area will determine whether the area can break away from the "control" and "restrictions" by departments or regions. Over the last few years, we have, in the spirit of cutting all means of retreat, made relentless efforts to change this situation. Before the state announced the establishment of special economic zones, we had already developed extensive lateral economic relationships with enterprises in the country and abroad. We have so far built several hundred cooperative enterprises and joint ventures. These enterprises, which are laterally linked by economic belts, can rationally carry out their activities because they have broken away from the confines of the vertical organizational structure--the restrictions by departments or regions--in terms of the use of funds, the position of legal entities, the will of shareholders, and observing the "rules of the game" in the market economy. A new type of enterprise full of vitality has arisen on Chinese soil, and the concept and role of enterprises' autonomy is gradually understood and accepted by people.

Only by reaking away from the confines of the old structure, which is characterized by the separation of departments from regions, can enterprises in China's hinterland operate according to the economic law, do their work well, circulate their goods smoothly, bring the talents of their personnel into full play, and make good use of their materials. When construction started in the Shekou industrial area, it began to make a breakthrough in lateral economic relationships, to reduce administrative intervention, to strengthen the function of enterprises, and to change government direct control over enterprises into indirect control, thus touching the traditional economic structure on its most sensitive part.

However, breaking away from the confines of regions and departments does not mean completely solving the problem concerning the old system. For this reason, we have carried out a series of structural reform experiments in Shekou over the last few years.

We have reformed the personnel management system and recruited from all parts of the country "adventurists" who are educated and have both potential and ideas. In the past, talented people in China were assigned to their posts by the state. Without exception, in our early period, cadres were sent here by the higher authorities. Some of the cadres could not meet the requirements for the work of opening up to the world because their scientific and educational level was too low and their basic international knowledge too meager. In 1980, with the approval of the relevant central authorities, we recruited talented people from all parts of the country through examinations. Various localities gave us the green light. Thus, a good trend of rational transfer of talented people appeared in China for the first time. We recruited a large number of talented people from among graduates or research students of Qinghua University, Beijing University, Jiaotong and Tongji Universities in Shanghai, Zhejiang University, and the Shanghai Navigation Institute. After training them by stages, we recommended them to industrial management departments and enterprises. Young people with professional knowledge have taken part in administration and management, greatly improving the quality of cadres in Shekou. The cultural structure the mix of ages, and the population are becoming rational.

We have removed the "iron chairs" of leading cadres and introduced the method of selecting or dismissing cadres by public poll. Previously, as soon as cadres entered leading posts, they got into various sizes of "rings of powers." As the legal system remains imperfect, "customs and habits influence people to such an extent that even the worthies cannot avoid," and some people will abuse their power for personal gain. Therefore it is necessary to practice a high degree of democracy for the people so that they have the right to elect, supervise, and dismiss cadres. During his inspection tour to Shekou in spring 1983, General Secretary Hu Yaobang had a talk with our young cadres and was very happy about their growth. With his approval, we trial-implemented in the Shekou industrial area the democratic method of electing production management committees by secret ballot and adopted a (draft) electoral law for the industrial area. A management committee is elected every 2 years; two management committees have been elected so far. In addition, voters cast trust votes for members of the management committee every year, and any committee member receiving majority nonconfidence votes must step down. On 24 April this year, trust votes were cast for the second management committee by 84 percent of the voters. All of the committee members won the people's trust.

We used the funds accumulated by one enterprise to take the risk of developing an area. Although this area is small, only 8.22 square kilometers, it is China's first industrial area that is not listed in the state plan and the development of which does not require the allocation of state funds. There we have carried out "five buildings and one leveling," that is, building roads, a pier, a water supply plant, a power station, and a telecommunications station, and leveling a vast expanse of land for standard workshops, houses, kindergartens, schools, and a hospital, thus giving enterprises some government functions. Sanezumi Esaki, well-known Japanese economist and former foreign trade minister, said: "An enterprise of the China Merchants Navigation Company has developed such a large industrial area. This is unique in the world." During his visit to shekou several years ago, Premier Zhao Ziyang said: "Using one enterprise to develop an industrial area is a new experiment in China as well as in the rest of the world." He called this the "Shekou mode."

We have gradually formed a socialist commodity economic system with foreign-capitalized enterprises and joint ventures the liveliest component. Enterprises enjoy full autonomy within the framework of law. Input and output are carried out according to the law of the market economy. As some Yugoslav friends said, "in terms of the market economy. As some Yugoslav friends said, "in terms of management, foreign-captial based enterprises enjoy complete autonomy. This is a typical capitalist operational form." Our relationships with these enterprises are basically in coordination and harmony. We have been getting along with each other well in "peaceful coexistence." Although we have some inherent negative factors, we have something in common with foreign businessmen: We follow the economic law and pay attention to economic results. For example, we were the first to introduce the method of inviting tenders for technological projects; we treat residential houses as semi-commodities or commodities and are instituting the "home ownership" plan; 4 years ago, we began to reform the wage and labor systems, to issue bonuses and rewards according to the operational results of enterprises and individual "devotion," and to fire workers who violate contracts; we have boldly frozen the original administrative grading system and wage scale system for cadres and workers and decided their wages according to their ability, post, and contributions.

We have formed a highly capable and efficient government. In 1984, with the agreement of the central authorities, the Guangdong provincial and Shenzhen urban governments approved the formation of a local power organization--the Shekou administration--by the Shekou industrial area. Administratively, it is subordinate to Shenzhen City, but its main officials are appointed by the industrial area. According to the provincial and urban regulations, it has the powers some urban governments have and is relatively independent. This government must exercise its administrative powers in line with the state law, but its main task is serving enterprises and working for the economic development of the entire industrial area. This government has been established under the principle of simplified administration and high efficiency.

The government is the superstructure whereas the enterprise is the economic base. In theory, the superstructure should serve the economic base and the government the enterprise. But in reality, this problem has remained unsolved for a long time. The government either exercises direct management over the enterprise by administrative means or keeps it under rigid control. As a result, the enterprises cannot bring its role into play. We have openly announced that the Shekou administration serves all legal enterprises in the area and provides legal protection for them so as to ensure their healthy development, thus giving them the green light for legal and rational operation.

We are trying to establish socialist democracy in Shekou. We believe that the crux of reforms and opening up to the world is to practice a high degree of socialist democracy. The realization of democracy requires many conditions, the most important of which is the replacement of the old, feudal, and backward ideas of staff and workers by new ones.

Our country is heavily weighted down by the remnants of the feudal system, which lasted several thousand years. Being in a self-contained natural economy for a long time, the country's productive forces are low and it is easy for people to rely on each other, to become complacent and conservative, and to refuse to make progress. This has constituted a huge obstacle to social reform and social progress. Over the last few years, we have energetically encouraged various types of new concepts: The concepts of time, competition, trust, information, equality, professional morality, and, in particular, democracy and legal system. We are trying hard to remove the main shortcomings in our political system, such as bureaucracy, excessive centralization of power, the patriarchal system, life-long tenure for leading cadres, and all types of privileges. We think that the cause of these shortcomings is the lack of democracy and a perfect legal system. We can say that reform of the political and economic systems is aimed at realizing a "high degree of socialist democracy" put forward by the 3d Plenary of the 11th CPC Central Committee. Based on this analysis and understanding, in 1982 we began to introduce to the industrial area the method of electing cadres by public opinion poll. Subsequently, we elected a management committee by secret ballot. The management committee frequently holds news briefings announcing the administrative and economic situations and measures of enterprises, encuraging the masses and professional and academic organizations to comment on its work, and encouraging people to criticize leaders by name. We stand for political overtness, advocate that the people should have the right to know the situation, and encourage freedom of speech within the framework of the constitution. Of course, we should not think that there are no obstacles to the implementation of all this. Returning the people's rights to the people is very reasonable. But influenced by the "extensive democracy" left over by the "great Cultural Revolution," some people now equate "making trouble" with democracy. This is really a tragedy of the era. We feel that the Shekou industrial area has the suitable soil for socialist democracy to take root in, as Shekou is a modern industrial society with a developed economy, well educated people, a strong sense of democracy, a stable life, and efficient administration. After practicing democracy for 4 years on a trial basis, great progress has been made in terms of social morality and habits, the mental status of the people, and economic results. A host of facts has proved that entrusting a committee with important tasks without supervision is sometimes dangerous. The crux of supervision lies in allowing the people to enjoy a high degree of democracy.

We are carrying out reform experiments on the implementation of rules and regulations. For example, we have stopped implementing the State Council regulation on exempting customs duties for "one large electrical appliance" carried by a Chinese returning to the country from a visit abroad. This is a samll matter but helps improve social habits. How are the results of our experiments? We welcome friends in the economic field to conduct a survey in Shekou and give us guidance. For academics who want to come but have no time, I would like to provide the following basic figures.

By the end of 1985, we had signed with businessmen 209 agreements on running enterprises, of which 129 were agreements on running joint ventures, accounting for 62 percent of the total; 28 were agreements on running foreign-capitalized enterprises, accounting for 13 percent; and 52 were agreements on running enterprises with the hinterland, accounting for 25 percent. Agreements on investments amounted to HK$2.6 billion, of which HK$1.49 billion was from foreign capital, 57.4 percent of the total. Funds really invested were HK$1.84 billion, 70.4 percent of the investments agreed on. Agreements on investments in industrial projects amounted to HK$2.1 billion, 80 percent of the total amount of investments agreed on. Of the 97 industrial enterprises agreed on, 56 were already built and put into production. The gross industrial output value in 1985 was HK$2.2 billion, of which the export value stood at HK$1.5 billion, with an export rate of 68 percent. Since 1981, the recovery rate of the funds and economic results in various services in the Shekou industrial area has gradually increased. Funds recovered in 1985 amounted to 73 million yuan, making an cumulative total of recovered funds of 123 million yuan (the cumulative total of funds recovered from capital construction was 327 million yuan), with a recovery rate of 38 percent (excluding funds recovered from industrial investments and income from customs duties and additional taxes). By the end of last year, there were 15,000 staff members and workers in the industrial area, 68 percent of whom, with an average age of 24.6, engaged in the manufacturing industry. Managerial personnel numbered 1,900, accounting for a little over 10 percent. They acquired a high educational level and 83 percent of them were higher learning diploma holders. Eighty-two percent of the workers were high school graduates. Its GNP stood at 18,900 yuan per capita, its national revenue 17,100 yuan per capita, and its all-personnel labor productivity in industry 82,500 yuan per capita. The average monthly wage of staff and workers as HK$850.

In social development, in a short span of 7 years, we have rapidly realized industrialization and urbanization in an area that was originally a backward fishing village and barren beach. We have also realized modernization in certain fields. Social order is good. No vicious criminal case has taken place over the last 7 years. Now good social conduct prevails in the entire Shekou area, and the atmosphere of study is good. A society with harmonious inter-person relationships and is separated from Hong Kong and Macao by sea is quietly developing on the Shekou peninsula.

/8918
CSO: 4006/1183

SHENZHEN CONTROLS CAPITAL CONSTRUCTION

HK140347 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0823 GMT 13 Jul 86

[Report: "Shenzhen Effectively Controls the Scale of Capital Construction in the First Half of the Year"]

[Text] Shenzhen, 13 Jul (ZHONGGUO ZINWEN SHE)--The Shenzhen Special Economic Zone effectively controlled the scale of capital construction in the first half of this year, its actual investment being 713 million yuan, 32 percent less than in the same period last year.

Shenzhen's investment in capital construction for last year was planned at 1.6 billion yuan, but actual investment completed amounted to 2.7 billion yuan, causing excessive bank loans and a drop in economic results.

At the beginning of this year, to concentrate its funds on developing an outward-oriented industry, Shenzhen began to straighten out all projects which were under way or had just started. It discovered that newly built and continuing projects numbered 1,352, with a total investment of 4.22 billion yuan, 150 percent in excess of the city's investment scale. The city decided to stop or postpone the construction of 84 projects which were not in line with the development of an outward-oriented economy, or for which funds could not be allocated, and to change the use of projects originally planned as guest houses and hotels. Its investment was reduced by 2 billion yuan. It also decided not to develop a new area this year but to concentrate its efforts on running the original enterprises and on making good use of the areas which has been exploited.

/8918
CSO: 4006/1184

SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN'S ECONOMY GROWTH--Shenzhen, 9 July (ZHONGGUO XINWEN SHE)--Since the beginning of the 2d quarter of this year, the economic situation in the Shenzhen Special Economic Zone has improved month by month through readjustment. Its main economic indexes grew again in June. According to figures provided by relevant departments, the total industrial value of this city increased by more than 40 percent over the previous month, its financial income increased by 15 percent, and foreign exchange income increased by 52 percent. The turnover from its retail trade also changed from a decrease to an increase and reached 200 million yuan in the same month, an increase of more than 10 percent over the previous month. This improvement in the economic situation in the Shenzhen Special Economic Zone was a result of a shift in the focus of work from extending the scope of capital construction to grasping production and economic returns. In the first half of this year, the accumulative total industrial output value reached more than 1.44 billion yuan, an increase of 13.1 percent over the same period last year. Of this, food and drinks, textile, machinery, and other light industrial products respectively registered increases from 60 percent to 100 percent. The accumulative financial income of the city reached 390 million yuan, an increase of 5.4 percent over the same period of last year. The accumulative foreign exchange income reached $126 million, an increase of 41.3 percent; but the accumulative turnover from retail trade, which registered an increase in June, was still 8.4 percent lower than that of the same period of last year. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 0628 GMT 9 Jul 86 HK] /8918

CSO: 4006/1184

POPULATION

BEIJING REVIEW STRESSES POPULATION CONTROL

OW151121 Beijing BEIJING REVIEW in English 14 Jul 86 p 4

[Article by Xin Lin]

[Text] More than a century ago, Friedrich Engels, one of the founders of Marxism, predicted that some time in the future, if the production of human beings ever had to be readjusted as had the production of materials, then it would be in the communist society and the communist society alone that the task could be accomplished without any difficulty. This prediction has been confirmed by China's practice in family planning.

Failure to hold the rapid population growth in check was among the past mistakes committed in China's socialist construction. In the mid-1970s China began to pay attention to this problem. Particularly since 1979, China has advocated that one couple have one child only. This policy has effectively curbed the growth in population. According to the Sixth Five-year Plan (1981-85), China's population size at the end of the plan period would be 1,060 million, but actually the figure reached only 1,046.39 million (an increase of 59.34 million). The average annual natural growth rate was 11.74 per thousand, so the target for keeping the growth rate at 12 per thousand was realized.

Of course, the task was not easily accomplished. Between 1981 and 1982, the rate of increase in China's population rose from a slide in the previous years, exceeding the planned target. The actual population growth rate in 1981 was 14.55 per thousand and that in 1982 was 14.49 per thousand.

The reasons for the rise in the growth rate were as follows: First, although late marriage was encouraged before 1980, those who were born during the first population boom between 1950 and 1957 were in the marriage and child-bearing age. Second, China began implementing a new Marriage Law in 1981. The law stipulates the minimum marriage age for men is 22 and women, 20. Large numbers of young people got married and gave birth in those two years. Third, the rural economic structure underwent rapid changes during those two years and the household contract responsibility system that linked payment with output was widely adopted, did not keep pace with this situation.

As a result, for a while in some places there was no one in charge of family-planning and some people took a laissez-faire attitude towards birth control.

Between 1983 and 1985, the population growth rate went down again. The natural growth rate was 11.54 per thousand in 1983, 10.81 per thousand in 1984, and 11.23 per thousand in 1985. The reasons behind this downward trend were varied. For one thing, more attention was given to practical measures, as well as to publicity, and education on the significance of family planning. In addition, people entering the marriage and child-bearing age in the latter years were those born during the 1985-61 low-birth-rate period.

In the past five years, excessive population growth has been brought under control and population is developing more and more along planned lines. This situation is not only important to China's current socialist construction and the rejuvenation of its economy, but also has created conditions for a favourable cycle of population reproduction in the years ahead.

In the meantime, China's family-planning work is being improved step by step. Attention has been paid to overcoming commandism as practised in some places; policies are more realistic and reasonable; progressively, certain families are allowed to have two children. In application, however, urban families face stricter rules than with those in the countryside. An even more flexible policy is in effect in the minority areas. For example, a couple who has one child which is physically defective owing to other than genetic factors can have a second child. In certain villages, couples who have a girl baby are allowed to have a second child. In sparsely populated border areas, mountainous districts and fishing villages, people are generally allowed to have two children on condition that the births are appropriately spaced. The population policy, which accords different treatment to people of different social, economic and geographical position, is warmly supported, but is still in an experimental stage. In future the policy for allowing two children will gradually be broadened with the reduction in the number of families having several children.

Every year of the Seventh Five-Year Plan period (which begin this year), will see a baby boom because more than 25 million people will come of marriage and child-bearing age. In such a situation, however trying, it is necessary to keep the average annual population growth rate within 12.5 per thousand. As long as we work carefully and further improve our policies, we can continue to check population expansion.

At this point, some readers may find it incomprehensible and even feel indignant that the Chinese people should be restricted by government policy from having children. Yet it is not hard to imagine what would be the case if China did not control its population. This country is now feeding 22 percent of the world's total population by farming only 7 percent of the world's total area of cultivated land; without population control, it would be well-nigh impossible for China to achieve the four modernizations within the projected time and would place a heavy burden on the whole world as well.

So China's policy of implementing family planning and synchronizing population growth with its plan for economic and social development is firm and unshakable.

/6662
CSO: 4020/387

BEIJING'S TEMPORARY RESIDENT POPULATION DOUBLES

OW151134 Beijing XINHUA in English 0803 GMT 15 Jul 86

[Text] Beijing, July 15 (XINHUA)—Beijing's temporary population doubled to nearly 650,000 between 1978 and this April and "will continue to grow," according to the police.

The figure includes all temporary residents—except foreigners—who have registered with the capital police. Beijing's permanent urban population is 5.86 million.

Nearly 60 percent of the temporary residents are in Beijing to earn money. They include construction and other contract workers, business executives, housekeepers and peddlers from outside Beijing. About 22 percent come to visit relatives or for medical reasons.

The temporary population also includes 50,000 Chinese tourists, six times more than in 1980. Other temporary residents are in Beijing on brief business trips or cultural exchanges.

The police predicted the number of temporary residents in downtown Beijing will remain at 200,000 "for a fairly long time."

On the other hand, the police said, because of greater prosperity and the growth of individual business activities, more people will continue to visit the city overall, and they will tend to stay for a longer period of time.

Already, the police said, about 46 percent of the temporary residents stay in Beijing for more than three months. Any Chinese can come to Beijing to stay as long as they have a place to live. However, housing is scarce, and there are few jobs and public services available to new arrivals.

At the same time, the rapid expansion of the temporary population has further stretched the city's public transportation and restaurant and hotel facilities, said the police.

/6662
CSO: 4020/387

URBANIZATION OF CHINA'S POPULATION SINCE 1950'S

Beijing RENKOU YU JINGJI [POPULATION AND ECONOMICS] in Chinese No 6, 26 Dec 85 pp 28-35

[Article by Wei Jinsheng [7614 3160 3932] of the Population Economics Research Institute of the Beijing Institute of Economics: "General Trends in the Urbanization of China's Population Since the 1950's"]

[Excerpts] Modern urbanization (Footnote 1) (The term "urbanization" [chengshihua], needs to be further defined. It may have been somewhat more accurate in both theoretical and practical terms to use the phrase "metropolitanization" ["dushihua"], but for reasons of space the term "urbanization" will be used in this article for the time being.), is an overall process, broad in scope, that entails economic, social and demographic changes. This article shall examine the basic pattern and characteristics of the urbanization of China's population since the 1950's within primarily, the framework of demographics. This will require first of all, an explanation of the definition of and problems relating to statistical specifications of China's urban population (the term "urban population" is used here, and will be used throughout the article, in its broad sense).

I. General Trends in Urban Population Growth and the Level of Urbanization

1. The start of the process of more marked urbanization in China was rather late, and the present level remains fairly low. The current noteworthy, marked rise in the level of urbanization in the developed countries began approximately in the second half of the last century in the developed nations of today, that is, the proportion of the urban population rose from approximately 10 percent of the total population at the time to the current level of slightly more than 70 percent after over 100 years of development, showing a tendency to reach the saturation point. In most developing nations, marked progress in urbanization began in the second decade of this century, approximately 70 years later than in the developed countries, during which time the proportion of the total population accounted for by the urban populace increased from 10 percent in 1920 to today's over 30 percent after 60 years of development. Although this is far below the current level in developed countries, it exhibits a strong tendency toward further, more rapid development. The process of marked urbanization in China did not begin until the 1950's, a century later than the developed countries and 30 years later than most developing countries, increasing, after

more than 30 years of development, from 11.2 percent in 1950, to 23.5 percent in 1983 (based on total city and town population), or 14.6 percent (based on city and town total nonagricultural population). Even if the higher figure representing the percentage of the total population accounted for by total city and town population is taken, it is still 67 percent lower than the figure for developed nations and 24 percent lower than developing nations. Therefore, the level of urbanization in China still ranks fairly low on a worldwide scale.

Table 1. Urban Population and Its Rate of Growth 1950-1983

	Urban population (10,000 people)							
	1950	1955	1960	1965	1970	1975	1980	1983
City and Town Total Population	6190.0	9361.1	16348.0	13045.0	14424.0	16055.9	19141.2	24128.0
City and Town Nonagricultural Population	6169.0	8285.0	13073.0	9834.0	10075.0	11171.0	13413.0	14961.0

	Urban Population Annual Growth Rate (%)							
	1950-1955	1955-1960	1960-1965	1965-1970	1970-1975	1975-1980	1980-1983	1950-1983
City and Town Total Population	8.7	11.8	-4.4	2.0	2.2	3.6	8.0	4.2
City and Town Nonagricultural Population	6.1	9.5	-5.5	0.5	2.1	3.7	3.7	2.7

Information source: National Annual Population Statistics Report for each year in question.

Table 2. National Level of Urbanization (%) 1950-1983

	1950	1955	1960	1965	1970	1975	1980	1983
Total City and Town Population Percentage of National Population	11.2	15.2	24.7	18.0	17.4	17.5	19.5	23.5
City and Town Nonagricultural Population Percentage of National Population	11.2	13.5	19.7	13.6	12.2	12.2	13.7	14.6

Information source: Same as in Table 1.

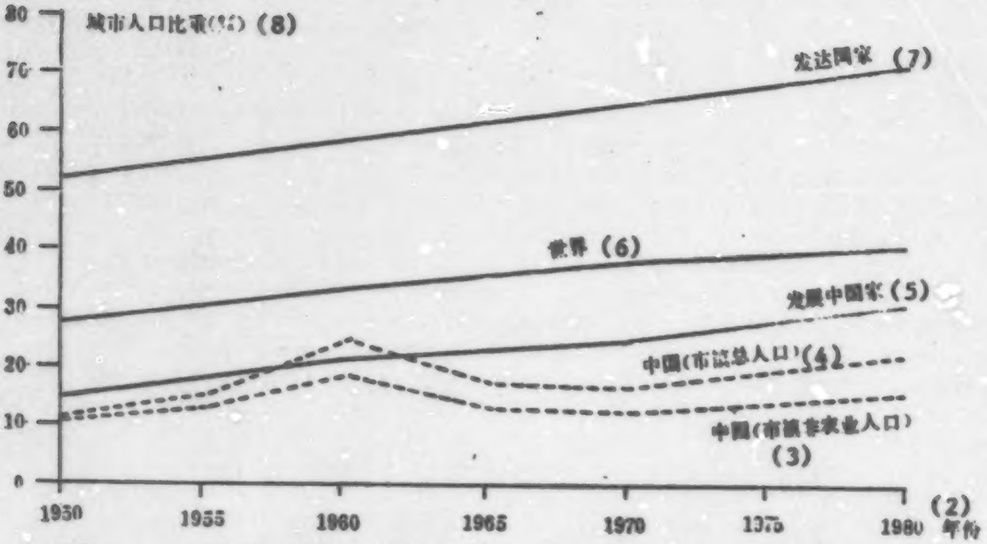


图 1　1950—1980年中国、世界、发展中国家和发达国家的城市化进程 (1)

(9) 资料来源：①同表 1。②U.N.World Population Trends and Policies, 1979 Monitoring Report, Vol.1, p.127; 1981 Monitoring Report, Vol.1,p.150.

Key:

Chart 1. Urbanization in China and Abroad, and in Developing and Developed Nations
2. Year
3. China (city and town nonagricultural population)
4. China (total city and town population)
5. Developing countries
6. Worldwide
7. Developed countries
8. Proportion accounted for by urban population (%)
9. Information source: (1) Same as Table 1.

(2) UN World Population Trends and Policies, 1979 Monitoring Report, Vol 1, p 127; 1981 Monitoring Report, Vol 1, p 150.

2. Although from the overall point of view, the pace of growth of China's urban population from the 1950's till today has been fairly slow and the level of increase in urbanization has been rather small in terms of absolute numbers, the increase in urban population has been quite large. From 1950 to 1980, China's total city and town population and city and town nonagricultural population showed annual average increases of 3.8 and 2.6 percent respectively, both lower than the 4.3 percent increase of developing countries during the same period. Due to the slow increase in urban population, the growth in the level of urbanization in the same period was limited. In 1980, total city and town population and nonagricultural population nationwide constituted 19.5 and 13.7 percent, respectively (of the total population), which represented

increases of 74 and 22 percent, respectively, over 1950. Both figures were lower than the 83-percent increase in the level of urbanization exhibited by developing nations at the same time.

However, due to China's large population, even with the low level of urbanization reached after 30-odd years of slow growth, in terms of absolute numbers the increase was a large one. In 1980, the total city and town population nationwide reached 191.41 million and the city and town nonagricultural population grew to 134.13 million, or 11 and 7.4 percent, respectively, of world urban population at the time, and 20 and 14 percent, respectively, of urban population in developing nations. China was and still is one of the few large countries for which urban population can be calculated in the hundreds of millions. In the 30 years from 1950 to 1980, China's total city and town population grew by 129.72 million, and the city and town nonagricultural population grew by 72.44 million, or 12 and 6.7 percent, respectively, of the increase in urban population worldwide, and 18.6 and 10.4 percent, respectively, of the increase in urban population of developing countries. Based on 1983 levels, if China's urban population increases at a rate of 1 percent yearly, nearly an additional 2.5 million people of all trades in the cities and towns and nearly 1.5 million of the nonagricultural sectors in the cities and town will enter the ranks of the urban population. Obviously, growth of this scope is a factor that cannot be ignored in China's coordinated social and economic development.

II. Stages in the Increase of the Urban Population and of the Level of Urbanization

These increases can be divided into the following five stages since the 1950's.

1. Stage one (early and middle 1950's): This occurred after the establishment of new China, during the restoration of the national economy destroyed by long years of war, and the start of large-scale construction. Basic national construction proceeded fairly rapidly during this period. Many large and medium-sized industrial projects were begun based on the cities of all regions. As a result, the urban population increased rapidly, as did the level of urbanization quite smoothly and normally. The curving line in Chart 1 representing the changes in China's city and town total population and nonagricultural population during this stage basically reflects a steady, upward tendency, with a greater increase in the later part of the period. From 1950 to 1955, the annual rates of increase for China's total city and town population and city and town nonagricultural population were 8.7 and 6.1 percent, respectively, both 2.3-fold greater than the average rates of increase in the 30 years from 1950 to 1980. At the same time, the proportion of total city and town population of the total national population grew from 11.2 percent in 1950 to 15.2 percent in 1955, for an average annual increase of 0.8 percent. During the same period, the city and town nonagricultural population grew from 11.2 to 13.5 percent, for an average annual increase of 0.46 percent. This was a large increase in the more than 30 years of the process of urbanization.

2. Stage two (late 1950's and early 1960's): During this period the "Great Leap Forward" and the rural peasant commune movement were rashly initiated,

and the chase after high norms in production and a large scope in construction began. Tens of millions of peasants entered the cities to engage in industry or went up into the mountains to smelt steel in this period. The curving line in Chart 1 representing the changes in China's total city and town and nonagricultural population during this stage reflects a sharp upward trend. By the end of 1960, total city and town population nationwide had reached more than 160 million, a sharp increase of nearly 70 million over 1955. During this period, the annual rate of increase reached 11.8 percent. In 1960, the proportion of total city and town population of the total population shot up to 24.7 percent. By the same token, the nonagricultural population of China's cities and towns during this period increased by more than 47 million, for an annual increase of 9.5 percent. By 1960, 19.7 percent of the total population was accounted for by this demographic sector. Although in numerical terms, all these figures are recordbreaking, they are in violation of the objective laws of social and economic development. In this period, the normal order of China's national economy was disrupted and industrial and agricultural production suffered great losses. The level of urbanization during this period gives the appearance of great rapidity, but it had, in fact, reached the saturation point, creating harmful consequences.

3. Stage three (the first half of the 1960's): In order to overcome the serious consequences of the prior period, the national economy was readjusted for several years beginning in 1961. An important measure taken was the streamlining of the ranks of employees, the reduction of the urban population, and the strengthening of the agricultural front. From 1961 to the first half of 1963, a total of 18.87 million employees were reduced from the work force, the urban population was reduced by 26 million and more than 20 million people returned to the frontlines of agricultural production. Given these conditions, the curving line in Chart 1 that represents the changes in China's total city and town population and nonagricultural population reflects a situation that is the converse of that of the proceeding stage--a sharply falling trend. By 1965, China's total city and town population had decreased from more than 160 million in 1960 to just over 130 million, for a decrease in proportion of the total population from 24.7 to 18 percent. During the same period, city and town nonagricultural population fell from over 130 million to somewhat more than 98 million, or from 19.7 to 13.6 percent of the total population, returning approximately to the level of the mid-1950's. During this period, the pace of national urbanization left the realm of abnormality, which was helpful in turning around the difficult situation of the national economy at the time, and would have provided the prerequisite conditions for the healthy development of urbanization in the future (however, due to the "Great Proletarian Cultural Revolution" this was not realised).

4. Stage four (the late 1960's to the mid 1970's): This is the period of the erroneously initiated "Great Proletarian Cultural Revolution." The country endured serious economic and social losses during this period. Due only to the concerted efforts of the vast ranks of the cadres and masses did production and construction not come to a halt, allowing some progress to be made despite difficulties in the national economy. Given this background, the line in Chart 1 depicting changes in China's total city and town population and city and town nonagricultural population first shows a tendency to fall, and later appears

to stagnate and increase at a slow rate. The proportion of total city and town population and nonagricultural population fell from 18 and 13.6 percent, respectively, in 1965 to 17.4 and 12.2 percent, respectively, in 1970. Afterward, the former rose slightly, while the latter remained at the same level. The annual rate of increase of the total city and town population from 1970 to 1975 was 0.2 percent higher than the annual increase from 1965 to 1970. Although city and town nonagricultural population increased 1.6 percent during this period, it was still lower than the average increase for the same segment of the population during the 30-odd years since the establishment of the PRC.

5. Stage five (the late 1970's and early 1980's): During this period great energy was devoted to readjusting the national economy which had fallen into a state of stagnation after the "Great Cultural Revolution." The pace of China's urban population growth during this period was accelerated. The line in Chart 1 representing changes in China's total city and town population and nonagricultural population shows a steady upward trend similar to that of stage one. However after comparison, the increase in recent years of total city and town population was somewhat larger. The annual growth of the total city and town population and nonagricultural population from 1975 to 1980 was 1.4 and 1.6 percent higher, respectively, than the period from 1970 to 1975. By 1980, these two demographic sectors accounted for 19.5 and 13.7 percent, respectively, of the total population which was the highest level ever achieved since the 1950's, with the exception of the period of abnormal development. It is also a more solid and stable level. However, it should be noted that from 1980 to 1983, at the same time the proportion of city and town nonagricultural population was continuing to show steady growth to 14.6 percent, the total national city and town population increased rapidly to 23.5 percent. In other words, compared to 1980, the former grew 0.9 percent, while the latter increased 4 percent. The primary reason for this remarkable divergence in development rates is that along with changes in city and town administrative boundaries since 1980 and the expansion of the scope of suburban area under city and town jurisdiction, the number of permanent residents among the peasantry is constantly increasing, thus elevating their percentage of the total. In 1983, the proportion of these peasant households of the total city and town population rose to 38.8 percent, and in the cities, to an even higher 42.5 percent, while in the late 1970's the figure was only approximately 30 percent. From now on, if appropriate new regulations are not created relating to the delineation between city and countryside, particularly in statistics regarding the urban population, it is estimated that the above tendency will continue to expand. This demonstrates the necessity for the integrated, complementary utilization of statistics on both total city and town population and city and town nonagricultural population while conducting surveys of the growth of China's urban population and level of urbanization.

III. Structural Reasons for Changes in the Urban Population

Changes in urban population growth have been formed from the following three factors acting in concert: 1) The natural changes in the urban population, a factor that occurs frequently; 2) changes due to migrations to and from the cities. This is a major factor in accounting for numerical changes in the urban population. This article shall utilize this method--analyzing structural reasons for urban population change in terms of the two categories of natural change and of migration and reorganization.

Due to the lack of complete information on the structural reasons for urban population change, in this article I have adopted the method of calculating, based on materials now available, the average annual growth rate and natural growth rate of the city population nationwide over several periods since the 1950's, followed by finding the remainder via subtraction, which shall represent the average annual growth rate for these periods caused by migration and reorganization. Finally the proportion of the urban population growth rates for each period will be computed. The data in Table 3 below have been obtained in this fashion. When utilizing them there are two points that require further definition: 1) Due to the limited accuracy of rough statistical data, data arrived at based on this table would be more appropriately regarded and utilized as indicators of general trends. 2) For the same reason, the table includes city population (excluding suburban counties under city jurisdiction). However, as city population accounts for a large proportion of total city and town population (even with the recent rapid increase in town population, city population still accounts for two-thirds to three-fourths of the total city and town population nationwide), one can view it as representative.

Table 3. Sources of Growth in City Population in Certain Periods Nationwide

Period	Population (annual growth rate) (1)	Population (annual natural growth rate) (2)	Population (annual growth rate due to migration and reorganization) (3)=(1)-(2)	Population (annual percentage accounted for by migration and reorganization) (4)=(3)÷(1)
1955-59 (5 years)	0.14000	0.02754	0.11246	80.3
1962-66 (5 years)	-0.03700	0.02361	-0.06061	163.8
1971-75 (5 years)	0.02500	0.01254	0.01246	49.8
1976-80 (5 years)	0.04100	0.00827	0.03273	79.8
1981-82 (3 years)	0.10400	0.01031	0.09369	90.1

Information source: Based on Annual Demographic Statistical Report for each period.

From an analysis of the above table, certain characteristics of the structural factors involved in the changes in China's urban population can be seen:

1. For each period in the table, changes in migration and reorganization of city population account for at least approximately one-half of all changes of total city population, and most of the time the figure was more than 80 percent. Clearly this had a substantial effect. The only thing different is that in certain periods there were divergent directions to its effect. For example, from 1962 to 1966, the reverse effect of migration (toward the countryside) and reorganization (designating cities or parts of cities as rural) on the

national city population was so great that not even the natural increase in population at the time could compensate for it. This led to a marked decrease in city population nationwide, with an uncommonly low annual average growth rate (-3.7 percent).

2. Most of the time periods in the table cover fairly large changes in migration patterns of China's urban population or in urban-rural administrative boundaries. The frequently smaller natural changes in the urban population should be specifically analyzed and simple, generalized conclusions should be avoided. However, for these periods, the factor of migration and reorganization have truly played a major role in all structural factors affecting changes in China's urban population. In comparison with many other countries in the world, it occupies a remarkable position which is also a fact.

One could say that of all structural factors affecting changes in China's urban population, the factor of migration and reorganization has had the most lively effect, changing along with the social, political and economic situation. It is a vital factor that must be carefully studied when examining causes of changes in China's urban population.

IV. Trends in the Scope of Change of Urban Population

The scope of urban population change is an important question in urbanization research. It requires not only the study of urban population distribution in cities of varying scope, but also an analysis of trends of change in these cities. In this article I shall discuss primarily the main component of China's urban population--changes in the trend of city population, or what is generally spoken of as changing trends in the reorganization of city population. Finally I shall touch upon the problem of town population.

Reorganization of city population means dividing cities according to population size (according to either total city population or nonagricultural city population; this author has adopted the former) into different groups in order to observe and analyze the distribution and changes of the entire urban population. From an analysis of the information provided in Tables 5 and 6 below, the basic outlook of the reorganization of China's city population can be seen as reflected in three demographic surveys conducted in 1953, 1964, and 1982, and overall changes and trends at the time.

1. Since the 1950's, most of China's total city and town population has been concentrated within city limits, in particular, within the limits of cities with populations of more than 100,000. The proportion of the population of these cities of total city and town population has always exhibited a constant upward trend. In the 1982 survey, the population residing in cities of over 100,000 accounted for 69.7 percent of China's total city and town population, for a 24.7-percent increase over the 1953 survey. At the same time, the proportion of city and town population residing in cities with a population below 100,000, already quite low in the early 1950's (only 4.9 percent in the 1953 survey), continued to fall, reaching 0.68 percent by 1982, for an absolute figure of only 1.4 million.

2. Although more than half of the total city and town population resided in cities with a population higher than 100,000, its distribution among these cities with varying populations show marked divergences. This was the case in the three surveys for cities with the highest concentration of population of more than 2 million. Second were cities with populations of 500,000 to 990,000, and cities of 1 to 1.99 million. Of the former, the city population accounted for a fairly high proportion of total urban population. Its size in 1964 was almost the same as that of cities of more than 2 million. However, after this, its proportion of total city and town population begins to drop. This was not the case with the latter which resembled cities of over 2 million, showing a rising trend for its proportion of total city and town population in the three surveys taken. Last were cities with populations between 300,000 and 490,000 and between 100,000 and 290,000. There were quite a few cities of this size, but few showed high concentrations of population. Since 1964, the percentage held by these two groups of total city and town population exhibited a falling trend.

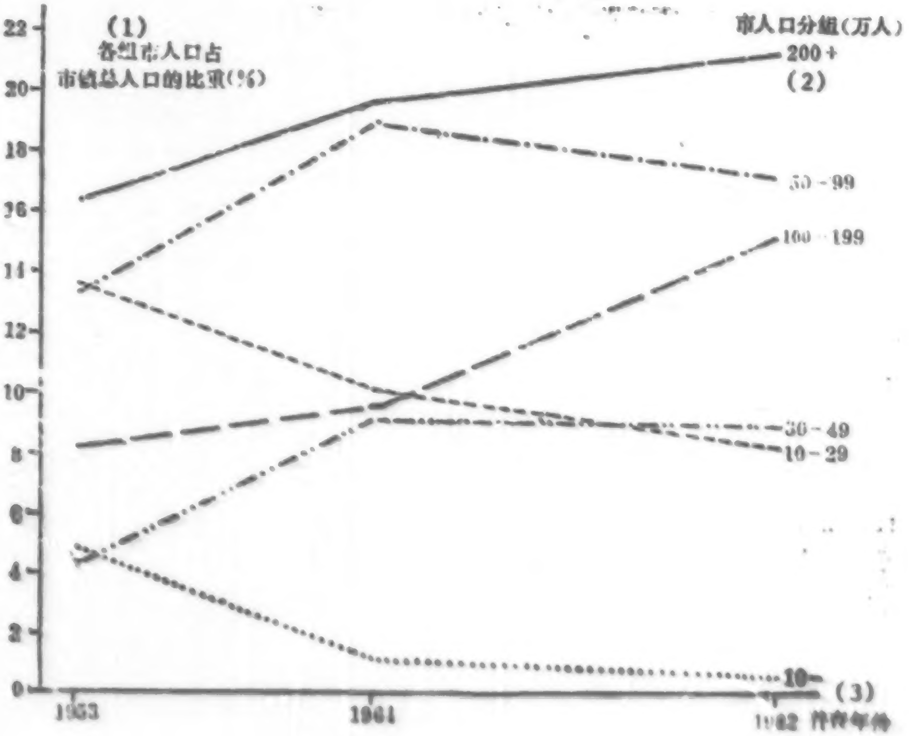


Chart 2. Changes in Proportion of Cities of Each Size-Group of Total City and Town Population in Three Population Surveys

Key:

1. Proportion of each city according to population size of total city and town population (%)
2. City population-size group (10,000)
3. Year of survey

Information source: Same as Table 1.

3. Although the positive order of the size of the proportions held by each city-group in the total urban population is definitely connected with the growth rates of the populations of these cities, there is no simple, positive correlation. From Table 6 it can be seen that the highest growth rates were exhibited in cities with populations between 300,000 and 490,000, with an annual average increase of 5.5 percent. However, the proportion of such cities of the total city and town population is not high, and as explained earlier, since 1964 there has been a downward tendency. Conversely, cities of 2 million or more which did not show great population increases, (the annual average rate of increase was 4 percent), ranking them third of all city-population groups), accounted for the largest proportion of total city and town populations of all groups in the three surveys.

From the changing trends above it can be seen that for some time although we took some measures which got certain results relating to the excessively rapid growth rate of large cities with populations of more than 500,000 by the end of 1980, population in China's large cities had reached more than 93.9 million, nearly twice the figure of 1953, or 49.1 percent of total national city and town population. Cities with populations over 1 million more than doubled, reaching more than 68.47 million, or 35.8 percent of total national city and town population. Therefore, from an overall perspective, we can see that the overly rapid growth rate of China's large cities before the 1980's, particularly those cities with populations over 1 million, was not controlled. The inflation of the population scope of large cities caused a series of social and economic problems and was detrimental to the standard of living. Beginning in the 1980's, the state must consider this problem in terms of obtaining the best possible returns from social and economic development. On one hand it is necessary to make full use of the important role of large cities, and, on the other hand, to rationally adjust and effectively control their overly rapid growth. Measures to accomplish this include: lowering the natural growth rate of the population of large cities to the lowest level ever; while implementing rational migration to large cities, strictly limiting the recruitment of population from the countryside to work in the large cities and the use of job transfers to cause migration from other cities and towns to large cities; while controlling migration to large cities, using various means, given the appropriate conditions, to gradually move specialized personnel, skilled workers, management staff, and other relevant personnel from large cities where they are overconcentrated to regions where they are needed, thereby raising the rate at which population emigrates from the large cities, shrinking the gap between the rate of inward and outward migration, and reducing the scope of net inbound immigration.

Some results have been achieved through the above mentioned efforts. From 1980 to 1983, the continuing upward growth of the proportion of the population of particularly large cities of over 2 million of the total national city and town population has finally been brought under control. In 1980, this proportion was 35.8 percent, while in 1983 it was 35.7 percent. The present problem is the excessively rapid growth of large cities with populations of 500,000 to 990,000. To deal with this, we must limit the population scope of middle-sized cities and prevent them from entering the ranks of large cities.

Before the 1980's, while the growth of large cities remained unchecked, smaller cities with populations below 300,000 and the numerous market towns were not adequately developed. The proportion of smaller cities and towns nationwide fell from 57.9 percent in 1953 to 38.5 percent in 1980. Since 1980, along with the smooth operation of rural reform the daily vitalization of the rural economy and the rapid maturation of township and town enterprises, many market towns have been restored and developed. Unorganized towns nationwide multiplied rapidly from 2,874 in 1980 to 6,211. At the same time, the proportion of town population of total national city and town population jumped from 29.7 to 41.1 percent, reaching its highest historical level in 1984. Of course, our work in developing small towns still requires further promotion and improvement. On one hand, the population of small cities has not yet been adequately raised. The proportion of these cities of the total city and town population fell from 8.7 percent in 1980 to 7.4 percent in 1983. This entails both developing small cities while limiting their growth so that they do not evolve into middle-sized cities. On the other hand, although the sudden doubling in the last 2 years of China's town population to a certain degree reflects an economic shift of a large part of the agricultural population toward nonagricultural work, the proportion of agricultural households of town population nationwide in 1984 leaped to 61.1 percent from 22.5 percent in 1980, which is too great an increase, and necessarily implies that a large portion of town population consists of people engaged strictly in agriculture. This creates problems in establishing norms for town building and statistical specifications, and requires research, study, and appropriate resolution.

Table 5. Number of Cities Divided According to Population, Their Population and Proportion of Total City and Town Population in Three National Surveys

Cities divided according to population (10,000 persons)	First survey 1953	Second survey 1964	Third survey 1982
200+			
Population (10,000 persons)	1396.6	2579.6	4376.0
Number of cities	4.0	7.0	13.0
Proportion of total city and town population	16.2	19.8	21.2
100-199			
Population (10,000 persons)	705.3	1296.8	3162.2
Number of cities	5.0	9.0	25.0
Proportion of total city and town population	8.2	9.9	15.3
50-99			
Population (10,000 persons)	1128.8	2509.6	3321.4
Number of cities	16.0	34.0	47.0
Proportion of total city and town population	13.1	19.2	16.1
30-49			
Population (10,000 persons)	395.8	1196.1	1851.5
Number of cities	10.0	30.0	48.0
Proportion of total city and town population	4.6	9.2	8.9
10-29			
Population (10,000 persons)	1195.3	1318.9	1673.9
Number of cities	68.0	69.0	89.0
Proportion of total city and town population	13.9	10.1	8.1
10-			
Population (10,000 persons)	426.7	137.0	140.2
Number of cities	63.0	19.0	22.0
Proportion of total city and town population	4.9	1.1	0.7
All cities			
Population (10,000 persons)	5248.6	9038.0	14525.3
Number of cities	166.0	168.0	244.0
Proportion of total city and town population	60.9	69.3	70.3

Information source: Derived from information gathered in the first, second and third census surveys.

Table 6. Annual Average Growth Rate for Cities According to Population Size Nationwide From the First Census in 1953 to the Third in 1982

City according to population size (10,000 persons)	Average annual growth rate 1953-1982 (%)
200+	4.0
100-199	5.3
50-99	3.8
30-49	5.5
10-29	1.2
10-	-3.8
All cities	3.6

Information source: Same as Table 5.

12221/12766
CSO: 4006/913

HONG KONG'S 1985, 1986 ECONOMY DISCUSSED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese 1 Jan 86 pp 43-44

[Article by Fu Zhu [0265 4554]: "Hong Kong's Economy in the Past and Current Year"]

[Text] Development and Improvement as the Main Trend

Hong Kong's economy in 1985, viewed either in its entirety or from the standpoint of different specific economic sectors and their economic activities, has shown development and improvement on the one hand and difficulties and predicaments on the other. On the whole, however, development and improvement formed the main trend of Hong Kong's economy in 1985 mainly for the following reasons:

1. The economy, though slowing down, is by no means slower than in other countries and regions.

According to the secretary of finance's latest forecast, the actual margin of increase in Hong Kong's total domestic output value in 1985 would be slightly less than 4 percent. A comparison of this increase with the 9.6 percent increase in 1984, the 7 percent increase forecast early this year, and the 4.5 percent increase forecast in the intermediate report, shows a considerable slowdown in Hong Kong's economy. However, this should be no cause for despair. On the one hand, this slow-down is only relative to the rapid increase in the previous year, and still reflects some new development in Hong Kong's economy; on the other hand, if we take a look at the other countries and regions in the world, we will see that not many of them have had a higher rate of increase. (Even among the "four small Asian dragons, Hong Kong's rate of increase, though slightly below that of Taiwan, was above those of South Korea and Singapore.)

2. Although industrial production and marketing have markedly declined, entrepot trade and tourism are still flourishing and helping in Hong Kong's visible trade and regular balance of payments.

In Hong Kong, the export of domestic products is the most important index of industrial production and marketing. Last year, the export of Hong Kong products was by no means encouraging. According to statistics, the export value of these products in the first 10 months was 7.2 percent below the same period of the previous year, and the reduction in the whole year is expected to be even larger. Furthermore, the volume of these exports was definitely smaller, since the export price index of Hong Kong products was slightly higher than in the previous year. A decline in both the value and the volume of exports has been rarely seen since 1976. A source of gratification, however, is that the development of Hong Kong's entrepot trade is still gathering momentum. In the first 10 months, the value of its entrepot trade was increased by as much as 31 percent, which contributed to a 6.8 percent increase in Hong Kong's export value and a 3.4 percent increase in its import value during the same period. The total volume of Hong Kong's external trade still increased by 5.1 percent. Furthermore, based on a HK$4,265 billion surplus in its trade balance during the first 10 months, a favorable balance in Hong Kong's tangible trade--for the first time since World War II--can be expected for the entire year. The revenues from intangible trade--mainly from tourism--are also expected to increase. Based on the situation in the first 10 months, it is estimated that the number of tourists to Hong Kong would reach 3.5 million, and the revenues from this source would not be less than HK$15 billion, an increase of 7.9 percent and 7.1 percent respectively. With the addition of other business income, it is estimated that the favorable balance of intangible trade for the entire year would exceed the original forecast figure by HK$19.47 billion, and that Hong Kong's international balance of payment would show an unprecedented surplus.

3. Although investment in manufacturing is not quite ideal, investment in other fields has markedly increased.

In Hong Kong, investment in manufacture trade is generally measured by the amount of imported capital goods kept for its own use. According to statistics, the total value of imported capital goods that remained in Hong Kong for its own use in the first 8 months was HK$11,549.2 million, a 10.6 percent decrease below the same period of the previous year, and the decrease in the value of industrial machinery (a decrease from HK$3,109.8 million to HK$2,391.8 million) was the largest. However, investment in other fields, especially in real estate and stocks, can be called unprecedentedly heavy. In that year, the Hong Kong government put up 23 pieces of land for public auction. Instead of any cancellation of the auction for the lack of bidders, which had happened before, there were scenes of fierce competition and high-price transactions. According to the Land Office's records, the number of real estate registrations and title deeds transfers reached 245,022, totaling HK$102,204 million in value, an increase of 49 percent and 79 percent over the same period of the previously year respectively. During that year, local investors and investors from the Middle East, Southeast Asia and Australia avidly bought properties in an attempt to establish their footholds or to expand their business in Hong Kong. The increase of funds from external and local sources strengthened the confidence in stock investment. In February 20, stock transactions reached HK$75,005 million in value, 53.7 percent higher than in the entire previous year. Besides investment in real estate and stocks, there were also many regional offices opened in Hong Kong by multinational corporations, and some of them spent lavishly on the acquisition of properties in their long-range business planning. Fairly many financial groups and corporations have invested heavily in their future development.

This investment upswing enlivened the realty market beyond expectation after 3 quiet years. Since then, stock market conditions have continued to improve. In these two aspects, Hong Kong deserves the proud title of a "unique beauty" in the Asia-Pacific region.

4. Despite some disturbance in monetary circles, the market still remains stable.

The Overseas Trust Bank incident which occured in June last year not only tarnished Hong Kong's reputation to a certain extent as an international financial center, but also increased the complications in banking with their impact on Hong Kong's financial market. We may say that the deregistration of tens of financial institutions within that year was only the aftermath of this incident which also affected several banks. Because of harassment from rumors, these banks had to look for capital replenishment and new partners. We must not forget to mention the series of measures taken by the Hong Kong government to protect the interests of the depositors of the Overseas Trust Bank and the cooperation and support given by people in the financial circles, because of which, Hong Kong's financial market was spared a more serious upheaval and was even able to continue its development in quality and quantity. Its development in terms of quantity was shown by the continued expansion of the traditional business of banking. At the end of October, the total deposits and total credit of the banks were 17.4 percent and 4.1 percent higher than at the end of the previous year respectively. Its development in terms of quality or rather its spectacular gain in stature is shown by its use of certificates of deposits at fixed interest rates, commercial notes, and the agencies handling of these notes as a means of fund-raising on long terms. Even the transfer of liabilities, which is a novelty in the European money market, has become a regular feature of the Hong Kong market. In the same year, the exchange rate of Hong Kong currency and the prices of consumer goods also remained fairly stable. Despite the fairly serious fluctuations in the exchange rates between the U.S. dollar and other currencies, the rate between the Hong Kong and the U.S. dollar has been all along close to the official rate of 7.8 with no drastic fluctuations. As for the prices of consumer goods, according to the cost of living index compiled by JINGJI DAOBAO, there was a 6 percent increase in November of last year over the previous year, while the price index for A-type consumer goods compiled by the Hong Kong government showed a 3.3 percent increase in the same period. Both indices showed that the price inflation in Hong Kong has been greatly reduced, and that the market is now fairly stable.

The Outcome of Various Factors at Work

While development and improvement form the main trend in Hong Kong's economy on the one hand, there are also difficulties and predicaments on the other because of the effects of unfavorable conditions in addition to the favorable factors.

The favorable factors which promoted the development of Hong Kong's economy in that year are mainly as follows:

1. Political stability and a bright future. The improvement in Hong Kong's political environment in 1985 was very remarkable. The formal signing and the subsequent effects of the Sino-British Joint Declaration dispelled all doubts on Hong Kong's future, and then the common efforts and cooperative spirit of both the Chinese and the British governments in the implementation of this declaration not only stabilized the situation in Hong Kong but also further brightened its future. This situation had a direct effect on Hong Kong's economy by reassuring the public and strengthening the confidence in investment. These effects are also shown in such action as the promotion of various development projects, encouraging investment in real estate and stocks and the return of funds from other places. It is true that the low interest rate of the Hong Kong dollar last year was attributed to enthusiasm in investment. Actually, however, it was largely the result of revived confidence and the pouring of funds into Hong Kong.

2. The further expansion of the inland market and the external economic relations. China's open-door policy as an important strategy for the four-modernizations drive has become a strong motive force for Hong Kong's economic development, and this motive force was even more prominent last year as shown in the following respects: First, a larger market was available for Hong Kong products. In the first 10 months, the value of Hong Kong products sold on this market increased 47 percent over the same period of the previous year, and the inland market has become the second largest for Hong Kong products. Second, Hong Kong's position as an entrepot has been strengthened. In the first 10 months, the value of goods transported to the inland through Hong Kong increased 89 percent, while the volume of goods transported from the inland through Hong Kong also increased 30.9 percent over the same period of the previous year. Third, Hong Kong has become more attractive to foreign investors, and the number of companies desiring to establish their footholds in Hong Kong for developing their business with mainland China has continued to increase. Fourth, the market for the export of Hong Kong's labor service has been enlarged, and these services included the supply of management expertise and business consultation in addition to insurance and transportation related to the entrepot trade.

The unfavorable conditions affecting Hong Kong in the same year were as follows:

1. Slow-down in the economic growth of Western countries and intensified protectionism. In the Western countries, which provide an important market for Hong Kong's exports, the economic growth rate last year was not only slower than the year before, but also failed to reach the level forecast early in the year. The United State's growth rate was only 2.4 percent, 4.4 percent lower than the actual and 1.1 percent lower than the predicted figures. This economic slow-down led to a rapid escalation of trade protectionism among the Western countries. For example, the U.S. law requiring the certification of the origin of textile products and the Jenkins textile bill were quite a blow and predicament to Hong Kong--affecting not only Hong Kong's exports but also the investment in its manafacturing trade.

2. Inadequate varieties in the product mix and in the market structure in Hong Kong. The decline of Hong Kong's exports to the Western markets had certainly something to do with the slow-down in the Western economy and the intensification of protectionism. However, these are not the only causes. In fact, during the first 10 months of last year, the import volumes of the United States, West Germany and Great Britian increased by 3.7 percent, 8.2 percent and 10.4 percent respectively over the same period of the previous year, while at the same time, Hong Kong's exports to these markets declined by 9 percent, 20 percent and 20 percent. However, the exports of the other "three small Asian dragons" to these countries were not reduced as much as Hong Kong's (and some of them could even maintain their increase). Obviously, this was because of inadequate varieties in Hong Kong's product mix and market structure.

Capable of Maintaining Growth, Redoubled Efforts Still Required

We need not be over-pessimistic over Hong Kong's economic future of 1986. However, we cannot afford to be over-optimistic either. It may not be very difficult to maintain the speed of the past year'seconomic development, but much greater efforts are obvious required for further development.

We need not be overly pessimistic over Hong Kong's economic future mainly for the reason that the favorable conditions for its economic development will not be reduced while the unfavorable conditions obstructing its economic development will not be increased.

The internal urge to promote Hong Kong's economy is likely to remain undiminished in 1986. What we are sure now is that many projects calling for heavy investment will be started this years. These projects include the building of a second underwater tunnel, a small railway in Tianmen, the infractructure of No 6 Wharf in Kuiyong, and the plans for private investment in the expensive plots at Jingzhong Road, Guangdong Road, and the Zhonggang Wharf. These investment plans alone will increase Hong Kong's outlay in development over last year's, not to mention the development plans still to be worked out in the current year. Furthermore, the conditions of political stability and regained confidence still remain. If the interest rates can be kept down slightly, there will be a stable market for realty and stocks in Hong Kong.

Because of China's stringent control over foreign exchange, the export of Hong Kong products may not increase as rapidly as it did last year, and its entrepot trade may also slow down. However, now that China's foreign currency reserve is building up again, the capacity of its market can be expected to expand.

As for Hong Kong's exports to the Western markets, a turn for the better can also be expected, and the hope for an end to the slow-down may not be wishful thinking. The main reasons are: 1) An economic recession is not likely to occur in the United States, Western Europe and Japan and their demand for imports will not be reduced. 2) The Jenkins bill has been vetoed by President Reagan and the threat of protectionism to Hong Kong's textile exports has been removed, at least temporarily. 3) The exchange rate for the U.S dollar with other Western currencies may go down, and the Hong Kong dollar, which is tied to the U.S. dollar will tend to be soft (in its parity to foreign currencies other than U.S. dollar). These are the favorable conditions for the increase in Hong Kong's exports to the European and American markets.

However, we must also note that the external conditions which are unfavorable to Hong Kong's economic development have still not been eliminated. First, although a recession may not occur in the Western economy, its development may further slow down. According to a recent estimate by the Organization for Economic Cooperation and Development, the rate of GNP value growth (in terms of an annual rate) among its 24 member nations in the next 18 months will drop from the 2.75 percent of last year to 2.5 percent. The United State will be able to maintain a 2.5 percent increase; the European member nations may not be able to show any improvement (their growth rate in 1985 was 2.25 percent, and that in the next 18 months is estimated to be 2-2.5 percent); while Japan's rate will drop from 5 percent to 3-3.5 percent. In other words, the markets of these countries can only be expanded to a limited extent, even though they will not shrink this year. Second, although the Jenkins bill have been vetoed, the U.S. protectionist forces will not easily give up. It is generally believed that some piecemeal protectionist measures may appear from time to time, and that the new round of multitextile agreements may be even more tightly restricted. These conditions will not only affect Hong Kong's exports, but also restrict its large-scale reinvestment in industry. Therefore, we may say that in striving for a change for the better in Hong Kong's economy, the following conditions are indispensable: Instead of deciding on their investment on the basis of orders for goods already received, the investor should consider more long-range plans for the market. If Hong Kong's industrial standards can be further raised, it will be able to produce new and competitive goods and hold greater initiative in competing for orders from the old markets as well as in opening new markets. Obviously, the attainment of these conditions calls for tremendous efforts, including active official guidance and cooperation between the government and the businessmen.

9411
CSO: 4006/566

- END -

JPRS-CEA-86-096

18 AUGUST 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-096

18 AUGUST 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Impact of Prices on Regional Economic Development
(Hu Zhaoliang; JINGJI DILI, No 4, Nov 85) 1

LIAOWANG on Construction in Third-Line Regions
(Li Yongzeng, Li Shuzhong; LIAOWANG OVERSEAS EDITION, No 26, 30 Jun 86) 9

PROVINCIAL AFFAIRS

Chongqing Mayor Delivers Government Work Report
(Xiao Yang; CHONGQING RIBAO, 10 Jun 86) 17

ECONOMIC DEVELOPMENT ZONES

Qingdao To Focus on Huangdao Development
(XINHUA, 16 Jul 86) 52

ECONOMIC PLANNING

Shanghai Mayor Discusses Economic Tasks
(Shanghai City Service, 3 Jul 86) 53

Xinjiang Meeting Arranges Economic Work
(Xinjiang Regional Service, 11 Jul 86) 55

AGGREGATE ECONOMIC DATA

Briefs

Nei Monggol First-Half Figures 56

ECONOMIC MANAGEMENT

Jiangsu Governor's Report on Sixth 5-Year Plan Presented
(XINHUA RIBAO, 23 Apr 86) 57

Factory Directors 'Need Support During Reform'
(Li Xing, Zang Pingfen; JINGJI RIBAO, 18 May 86) 60

Briefs
Economic Seminar in Urumqi 64

FINANCE AND BANKING

Individually Run Banks To Be Banned
(JINGJI RIBAO, 29 Apr 86) 65

INDUSTRY

CHINA DAILY: Industry Increases After Jan-Jun Slowdown
(Zhang Xiaogang; CHINA DAILY, 10 Jul 86) 67

Development of Building Materials Industry Discussed
(Sun Yi, Chen Zhiqiang; JINGJI RIBAO, 31 Mar 86) 70

Anhui Textile Production Discussed
(ANHUI RIBAO, 23 Mar 86) 74

Briefs
Service Trades Increase 75

CONSTRUCTION

Briefs
More Apartments for Sale 76

FOREIGN TRADE AND INVESTMENT

Increase in Exports to Japan Urged in Jilin
(Zhang Hongsheng, et al.; GUOJI MAOYI WENTI, No 6, Nov-Dec 85) 77

Shanghai Meets Enterprises' Foreign Exchange Needs
(XINHUA, 14 Jul 86) 84

Briefs
Steel Mill From Sweden 86
MOFERT Sanctions Xinjiang Trade Zone 86
Shanghai Lures Foreign Investment 86
Shipping Plan Fulfillment 87
International Commodities Fairs 87
Jiangsu Export Earnings 87

Export Commodities Fair 87
Nei Monggol To Host Trade Symposium 87

SPECIAL ECONOMIC ZONES

Xiamen Joint Venture Bank Reports Profits
(XINHUA, 16 Jul 86) 89

POPULATION

Guizhou Leader Stresses Importance of Birth Control
(Zhang Yuqin; Guizhou Provincial Service, 8 Jul 86) 90

HONG KONG

Exports Rise One Percent in First 4 Months
(Peter Robinson; SOUTH CHINA MORNING POST, 7 Jul 86) 92

Union Bank Rescued by U.S.-PRC Joint Venture Firm
(John Mulcahy; SOUTH CHINA MORNING POST, 1 Jul 86) 95

Prospect To Expand Rail Links With China
(Nicholas Way; SOUTH CHINA MORNING POST, 3 Jul 86) 98

/9987

IMPACT OF PRICES ON REGIONAL ECONOMIC DEVELOPMENT

Changsha JINGJI DILI [ECONOMIC GEOGRAPHY] in Chinese No 4, Nov 85 pp 243-246

[Article by Hu Zhaoliang [5170 0340 6852], Department of Geography, Beijing University: "Prices and Regional Economic Development"]

[Text] Prices are one of the conditions that affect regional economic development and the distribution of the productive forces. Prices of many Chinese products are subject to restrictions by the state, which makes it especially significant to study the connections between prices and regional economic development. Tentatively summing up, there are mainly the following three aspects of the relations between prices and regional economic development: 1) Prices and the rational utilization of natural resources; 2) Prices and the overall evaluation of regional economies; 3) Prices and the rational distribution of the productive forces.

1. Prices and the Utilization of Natural Resources

One of the important preconditions for a rational utilization of the natural resources is the accurate assessment of the value and price of natural resources. The view prevailed in China before liberation that the natural resources, not being products of labor, have no value and also no price. The influence of this viewpoint generated a series of contradictions:

(1) Important materials were put to petty use, and good materials were put to bad use, with the result that much of the natural resources was wasted and destroyed. Because no value was attached to natural resources, their possession and use was not counted among fixed assets, not made an item of the production costs, and any individual, unit, or enterprise could take possession of the natural resources, as long as capable of doing so, without remuneration. The claiming of land for one's own use, the damming up of rivers and diversion of waters, the abandoning of poor mines and exploitation of rich mines are all examples of such behavior. Some units went even so far as to appropriate for themselves famous mountains and scenic waterfalls.

(2) The said viewpoint also had an adverse effect on the improvement or protection of natural resources. To bring the use value of natural resources fully into play, it is necessary to continuously improve and protect them, and to expend on them all necessary human labor. If free use is permitted of

natural resources, little attention will more often than not be paid to furnish human labor to care for them, such labor being regarded as unproductive investment. There will be no way to recover these investments, to effect renewals, and they will finally be omitted from plans and pushed aside, thus in fact shortchanging the resources. Why is it that many forests are denuded by felling trees, but never tended and renewed? The reason is that there is no evaluation and collection of fees for the exploitation of forest resources, and there is no guarantee now that funds will be provided for tending and renewing the resource. Why is it not possible to realize anything from the investment in basic installations in the cities? The reason is that the basic urban installations raise the use value of the land, but the departments concerned have now no way to obtain remuneration for the increase in land value.

(3) The productivity of natural resources conceals the inferiority of business management. Productivity shown by the various sectors of the primary industries, such as in the exploitation of mines and harvesting of forests, is closely linked with the productivity of the natural resource. In the case of very abundant natural resources, even very poorly managed enterprises will still be able to obtain fairly good economic results. In such cases the natural resources conceal the shortcomings in the business management, and in such cases it is, furthermore, hardly possible to simply use economic results achieved by an enterprise as an indicator in the evaluation of the quality of its business management.

(4) If the said viewpoint prevails, it is impossible to compute national wealth. National wealth is an important indicator that reflects a country's economic level; it is the result of a country's long-term accumulation of labor. The natural resources, especially the resources of the soil, are important components of the national wealth. According to a Japanese survey of 1980, the resources of the soil account for 25.3 percent of the total Japanese national wealth, forest resources for 1.1 percent, and both together for 26.4 percent. (Footnote 1) ("Asahi nenkan; bekkan," Asahi Shimbunsha, 1983, p 332, in Japanese) How to assess the value of China's 9.6 million square kilometers of national land resources and its coastal resources is a question not only of evaluating China's national wealth, but also a question of evaluating the diligent labor of the Chinese nation during the past 5,000 years.

We may arrive at the price for a natural resource by starting out with its use value. Natural resources have use value; anything without use value cannot be called a resource, at the most perhaps a latent resource. The factors that constitute the use value of a natural resource are: 1) The degree of productivity of a natural resource. This is in direct proportion to the use value of the natural resource; the higher the productivity the higher its use value. 2) The location of the natural resource, which comprises the natural as well as the economic geographic location. 3) The human labor that is expended on the natural resource.

The human labor expended on the natural resource has value. In Marx's words, expended human labor is "merged with the soil" and becomes an integral whole. (Footnote 2) (Marx, "Das Kapital," People's Publishing House, 1966 edition, Vol 3, p 777) When a piece of land is being cultivated or used as building site, it is today impossible to say which of its properties have come down from prehistoric times and which are created by the expenditure of human labor. We can only assert that the land in prehistoric times was not as it is now; there has obviously been value in the human labor that was expended on the natural resource. The more human labor was expended, the higher the value. Human improvements of the economic geographic location also have value. If a railroad is built into rugged mountains, the change in the communication facilities for mining and forest resources there is obviously the result of human labor. Acknowledging the value of natural resources means acknowledging the history of human use and transformation of nature, and acknowledging that wealth has been accumulated by mankind over the centuries.

Since a natural resource has use value and value, it has to have a price. The factors that determine the price of a natural resource are of a very complex nature. In addition to the value base, there is the productivity and the finiteness of any natural resource, also pricing policies, etc. Among all the factors that determine the price of a natural resource, an increasing role is played by the expenditure of human labor and the economic geographic location. This can be verified by the price increases of building sites in most countries of the world and the regional differences in land values. The main factor that affects the price of building sites is the economic geographic location; expenditure of human labor is a secondary factor. (Footnote 3) (Ray M Northam, "Urban Geography," John Wiley and Sons, New York, 2nd ed., Sept 1984, p 266)

It is therefore an important guarantee for the rational utilization of natural resources, that economic levers are applied, that a rational price is determined for the natural resource, that a certain fee is collected for occupying the resource and for the use of the resource. Industries that operate in compliance with the proper purport of the natural resource may be granted appropriately favorable treatment pricewise; industries that destroy the natural resource should be made to pay an appropriate penalty within the price they have to pay for it.

2. Prices and the Evaluation of Regional Economies

The evaluation of a regional economy is a topic for which a solution must be found when studying the economic development of a region. Since liberation, China has mostly used the gross output value of industry and agriculture as indicator in the evaluation of regional economies. The gross output value of industry and agriculture is generally computed according to the fixed prices set by the state. Even if computed at current prices, this output value is restricted by plan prices. Prices, therefore, have a widespread influence on the evaluation of the economic position, the economic structure, the economic results, and the changes in the economic development of a region.

(1) The influence of prices on the evaluation of the economic position of a region. There is a great disparity between China's current prices and the real value of products. Add to this the shortcomings of the gross output values which include that of raw and semiprocessed materials, fuel, depreciation, and other transformed materialized labor values and the

evaluation of the regional economic position is rendered even more complex.

In China most light industry products are overvalued and most heavy industry products are undervalued; mining products and certain agricultural products are obviously undervalued. Using current prices, the output value of regions with highly developed light industry is overvalued, while the output value is undervalued for regions with highly developed heavy industry, especially regions with a highly developed mining industry and regions with a large proportion of agriculture.
Between the gross output values of the various departments, the disparity in the proportion of the transformed materialized labor is very large. The proportion of transformed materialized labor accounts for over two-thirds in the industrial gross output value and for around one-third in the gross agricultural output value. In the mining industry, the proportion of transformed materialized labor is also very small.

In view of the two above-stated reasons, it is very unfavorable for regions with a large proportion of mining industry and agriculture to use the industrial and agricultural gross output value for their regional evaluation. There is an obvious disparity between arranging the economic position of the various provinces, municipalities, and autonomous regions in the order of their gross output value of industry and agriculture, and arranging them in the order of net output value, not including the value of transformed materialized labor. According to gross output value, Shanghai would only come second after Jiangsu and be in second position in the entire country, and Heilongjiang would be in 11th position in the entire country. Arranged according to net output value, Shanghai would be relegated to fourth position, and Heilongjiang would rise to seventh position. The discrepancies would be even larger if certain adjustments were made according to international market prices. The Chinese domestic price for crude oil allocations is 100 yuan per ton. The international price for a ton of crude oil is U.S.$200, which, according to the exchange rate, is equal to 570 yuan. If computed according to the international market price for crude oil, the gross and net industrial and agricultural output value of Heilongjiang Province would exceed that of Jiangsu and place it in first position in the country. Its industrial net output value would exceed that of Shanghai and place it in first position in the country. This shows the extremely important influence of prices on the evaluation of the economic position of a region.

Provinces, Municipalities, Autonomous Regions in Their Economic Order, 1983

	By Industrial-Agricultural Output Value		By Average Per Head Ind.-Agr. Output Value	
	Gross	Net	Gross	Net
1	Jiangsu	Jiangsu	Shanghai	Shanghai
2	Shanghai	Shandong	Tianjin	Tianjin
3	Shandong	Sichuan	Beijing	Beijing
4	Liaoning	Shanghai	Liaoning	Liaoning
5	Sichuan	Liaoning	Jiangsu	Heilongjiang
6	Guangdong	Henan	Heilongjiang	Jiangsu
7	Hubei	Heilongjiang	Jilin	Jilin
8	Henan	Hebei	Zhejiang	Zhejiang
9	Hebei	Guangdong	Hubei	Shanxi
10	Zhejiang	Hubei	Shandong	Shandong
11	Heilongjiang	Zhejiang	Shanxi	Hubei
12	Hunan	Hunan	Hebei	Hebei
13	Anhui	Anhui	Guangdong	Xinjiang
14	Beijing	Jilin	Xinjiang	Guangdong
15	Tianjin	Shanxi	Hunan	Hunan
16	Jilin	Beijing	Shaanxi	Nei Monggol
17	Shanxi	Jiangxi	Nei Monggol	Ningxia
18	Jiangxi	Guangxi	Ningxia	Fujian
19	Shaanxi	Tianjin	Gansu	Shaanxi
20	Guangxi	Shaanxi	Fujian	Gansu
21	Fujian	Yunnan	Qinghai	Henan
22	Yunnan	Fujian	Sichuan	Qinghai
23	Nei Monggol	Nei Monggol	Henan	Sichuan
24	Gansu	Guizhou	Jiangxi	Jiangxi
25	Guizhou	Gansu	Anhui	Anhui
26	Xinjiang	Xinjiang	Guangxi	Yunnan
27	Ningxia	Ningxia	Yunnan	Guangxi
28	Qinghai	Qinghai	Guizhou	Xizang
29	Xizang	Xizang	Xizang	Guizhou

(Note: Data for Taiwan Province are lacking)

(2) The influence of prices on assessing the economic structure of a region. Computing China's 1983 gross value of industrial and agricultural output at current prices, industry accounts for 68 percent and agriculture for 32 percent, but even in the Zhuang Autonomous Region of Guangxi with the largest proportion of agriculture, industry still would account for 53 percent. These proportionate compositions as between industry and agriculture are obviously very much at variance with the reality. Calculated at net output value, China's industry in 1983 accounted for 50.8 percent of the net output value of industry and agriculture, and the industry of Guangxi for only 35 percent, which comes very much closer to reality. However, considering the fact that in China 5 times more manpower is engaged in agriculture than in industry, apart from the disparity between industrial and agricultural labor productivity, the price problem still has a distinct influence on the economic structure.

(3) The influence of prices on the evaluation of the economic results of a region. Because of the influence of prices, there is a great disparity between the average profit-tax rates for funds in the various industries throughout the country. In 1982, the average profit-tax rate for funds in the light industry was 46.3 percent, and invested funds could be recovered in 2 years and 1 month. The average profit-tax rate in the heavy industry was 16.8 percent and invested funds could be recovered in 6 years. In the coal mining industry the average profit-tax rate was 2.2 percent, and invested funds could only be recovered in 45 years. When calculating the dynamic economic results, the profit-tax rate of the coal mining industry was lower than interests, and in that case funds could never be recovered. Regions of light industry had generally better economic results than heavy industry regions. Regions with a large proportion of heavy industry, especially regions with a high proportion of coal mining industry, generally showed rather poor economic results. If prices are not adjusted, it is almost impossible to assess regional economic results.

(4) The influence of prices on the evaluation of regional changes in economic trends. Prices are fluctuating. When analyzing regional changes in economic trends, neglect of price fluctuations will lead to erroneous results. At an earlier time, when studying to achieve the comfortably well-off level of an average per head gross national product of U.S.$1,000 by the year 2000, there was one viewpoint which held that this would be commensurate with the U.S. level of 1940. The basis for this view was that in 1940 the average per head gross national product in the United State was $1,000. However, due to the devaluation of the American dollar, 1 dollar in 1940 corresponds to 5 dollars in 1980. In 1940 small motorcars were in common use in America, but by the year 2000 it will not be possible to have small motorcars in common use in China. To eliminate the influence of commodity price fluctuations, major economic research organs in the West publish

wholesale commodity price indexes and retail commodity price indexes, while the Chinese State Statistics Bureau works with fixed prices. Since liberation, China has had four sets of fixed prices, fixed in 1952, 1957, 1970, and 1980. When studying regional economic contrasts, it is necessary to eliminate the disparity between the four sets of fixed prices and to eliminate the disparity between the interregional changes in the fixed prices. Due to differences in the economic structure, in most of China's provinces, municipalities, and autonomous regions the gross industrial output value computed at the fixed prices of 1970 is lower than the gross industrial output value computed at the fixed prices of 1957, but in Anhui, Guangxi, and Xinjiang, on the other hand these values are higher than the gross industrial output values computed at the fixed prices of 1957.

3. Prices and the Distribution of Productive Forces

Prices constitute a special social condition that affects the distribution of productive forces. Prices are per se economic phenomena. Among the elements that determine prices we can find the background showing higher or lower technological levels and the productivity of natural resources. Price policy, which has greatest impact on prices, is part of the superstructure. If we say that in capitalist countries the most important economic lever affecting the distribution of the productive forces is taxation, then it is pricing in substitution for taxation that constitutes in China the most important economic lever with impact on the distribution of the productive forces. The various problems that are now surfacing in China with regard to the distribution of the productive forces are, if traced to their very source, invariably connected with prices. Ignoring the impact of prices will make it impossible to resolve many problems in the distribution of the productive forces. The following five aspects are a tentative summary of the influences of prices on the distribution of productive forces in China:

(1) Their influence on the development of areas producing raw and other materials. The price problem is the important reason for the fact that production of raw and other materials in China has been lagging behind for a long time compared with developments in the processing industries. The very slow increase in the production of many rural native and special products is also related to prices. The institution of negotiated prices for coal increased the economic results in the coal mining areas and raised enthusiasm for increasing production. Many coal producing areas are on the way to prosperity.

(2) Prices influence the occurrence of duplications in the location of processing industries. The duplication in the location of processing industries is a long-standing problem in the distribution of China's productive forces. Duplications of location have occurred with regard to the three old favorites: watches, bicycles, and sewing machines. The new three favorites too, TV sets, tape recorders, and refrigerators, are about to incur duplications in location, which is also evident in other branches of the processing industry. Prices exert everywhere the effect of a catalytic agent. To solve the problem of duplications in the location of processing industries, we must on the one hand strengthen administrative control and plan guidance, and on the other hand bring the economic lever of prices into play.

(3) Prices have an influence on the marketing of products. Most means of production and a part of the means of livelihood in China are procured and marketed according to unified prices. The prices seldom reflect differences in the quality of the products and upset the rational regional circulation of products. Areas or enterprises with high-quality production, because their products are priced below their actual value, will sell their products all over the country. If a rational price system were set up, high-quality products could be marketed at high prices, thereby providing larger accumulations for the state and for the enterprises. Enterprises producing poor-quality products could sell their products at lower prices, gain a certain market for their goods and gradually improve the quality of their products.

(4) Prices induce increased back and forth shipments. The problem of back and forth shipments exists with regard to many products in China. One of the reasons for the occurrence of back and forth shipments is the irrational price and subsidy policy. For instance, if the procurement price in the producing area is higher than the sales price in the marketing area, the goods will more often than not flow back into the producing area. If the procurement price in area A is higher than the procurement price in area B, the products will more often than not flow into A for sale there,
and then later be shipped to area B for processing. Viewed from the standpoint of the entire country's macroeconomy, this state of affairs constitutes an extremely large waste.

(5) Prices have an adverse effect on the consolidation and development of foreign trade and export bases. An important reason for the protracted stagnation in the exports of many traditional Chinese export articles is that they are procured domestically at unduly low prices. These prices are far below prices in the international market, and as a result the producing areas cannot make a profit manufacturing these products, and may even incur losses year after year, which makes it impossible to update equipment and to upgrade the quality of the products. The traditional Chinese exports of nonferrous metals have run into this kind of problem.

China's superior social system provides the possibility for a rational distribution of the productive forces. To convert this possibility into the reality of a rational distribution, we must on the one hand assert the authority of directive-type planning and on the other hand utilize economic levers and show that the demand of the law of value is the most important condition for the effective application of the economic lever. At the same time we must control prices in conformity with such demands as the rational distribution of the productive forces, etc. For instance, it is absolutely necessary to institute appropriate protective pricing policies and price subsidy policies for newly established production bases, remote border areas, minority areas, backward areas, etc. At this opportunity it may be pointed out that even in capitalist countries certain commodities are regularly controlled, for instance, prices for tobacco and alcoholic beverages, by means of a policy of granting price subsidies. The State Council has recently proposed to adjust the current Chinese price system in a planned way, according to the demands of the law of value. This will open up broad avenues for the rational utilization of China's natural resources, for the rational distribution of productive forces and for the regional developments.

9808
CSO: 4006/539

LIAOWANG ON CONSTRUCTION IN THIRD-LINE REGIONS

HK110423 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 26, 30 Jun 86
pp 10, 11

[Article by Li Yongzeng [2621 3057 2582] and Li Shuzhong [2621 2885 1813]: "A Turning Point in the History of the Construction of China's Third-Line Regions"]

[Text] In the 30-odd years following the founding of new China, there has been a major strategic shift in China's economic distribution--the construction of the third-line regions lasting for a dozen years or so [as published] beginning in 1965. The construction has experienced trials and hardships of all sorts and taken a rugged and rough path. Today it is facing a new turning point and several choices for continued progress.

In a broad sense, third-line regions refer to the country's vast regions south of the Great Wall and west of the Beijing-Guangzhou Railway, covering 13 provinces and autonomous regions. First-line regions generally refer to coastal regions and their borders, while second-line regions refer to areas between the first- and third-line regions. In a narrow sense, the third-line regions we are discussing here include Sichuan, Guizhou, Yunnan, Shaanxi, and Gansu Provinces as well as western Henan, western Hebei, and western Hunan, covering a territory of about 2.36 million square km, or one-fourth of the nation's total territory. The regions have nearly 500 million mu of cultivated land, comprising one-third of the nation's total, and a population of nearly 400 million, amounting to 38 percent of the country's total. The total value of industrial and agricultural production of these regions in 1985 was 328.9 billion yuan, constituting one-fourth of the country's total.

Policy Decisions Stem From War Considerations

Because of a special historical background, China's industrial distribution is uneven, with industry being one-sidedly heavily concentrated in the coastal areas and thinly distributed in the hinterland. In his article "On 10 Major Relationships," published in 1956, Mao Zedong stressed attaching importance to the relationship between industry in the coastal areas and that in the hinterland so as to support the development of industries in the latter with the former's industrial development. However, in the mid-sixties, when China was determined to go all out to build its hinterland, the most important factor that had an impact on policy decisionmaking, among others was prevention of a war rather than economic distribution.

In the early sixties, border conflicts broke out between China and India; the United States was gradually becoming involved in the Vietnamese War; the Taiwan authorities' cry for "a counteroffensive on the mainland" was given wide publicity; and Sino-Soviet relations were in a state of serious antagonism, while disputes between the two countries were intensifying. The Chinese policymakers attached great importance to the lessons and experience gained by the Soviet Union in World War II. The Soviet industrial projects east of the Urals were undertaken in a hurry after the German fascists launched a surprise attack on the Soviet Union. Although they were undertaken late, Adolf Hitler was defeated by the Soviet Union by relying on this strategic rear.

In the summer of 1964 the CPC Central Committee and Mao Zedong made a policy decision on "paying attention to the development of the international situation, getting ready to fight a war, and above all else, making a success of the formation of strategic patterns as well as strengthening the construction of the third-line regions while making long-term plans."

Highly Capable People Are Sent to the Third-Line Regions

The construction of the third-line regions was advanced against this background and was rapidly put into effect. In the second half of 1964, several massive work teams in charge of plant site inspection and selection from the defense, railroad, and mining industries made on-the-spot surveys of plant sites and distribution lines in northwestern, central-southern, and southwestern China one after another and initially selected a group of plant sites and distribution lines, thus defining the overall construction pattern of the third-line regions.

At the beginning of 1965, an overall plan for the construction of the third-line regions was worked out.

"The roads in Sichuan are more difficult than going to Heaven." With high mountains and mountain ranges standing everywhere, the third-line regions have a varied topography and very poor transport facilities. To support the large-scale construction of the third-line regions, several railroad trunks were planned and put into construction in succession. The construction of coal and steel production bases was speeded up.

To race against time, the construction of plants in the third-line regions was undertaken thoroughly by enterprises in the coastal areas on a contract basis, including matters ranging from cadres, technical personnel, workers, capital construction, and equipment to production. At that time this move was called "sending highly capable people to the third-line regions" and [word indistinct] the whole nation mobilized. Most of the university graduates in those years were assigned to work in enterprises in the third-line regions. Imported machinery was located in the regions if there was only one piece and if the state had two, they were [word indistinct] by the coastal areas and the third-line regions. To deal with the possible outbreak of war, industries in the third-line regions were distributed in a serialized way and with all supporting facilities provided and thus energy, raw and semifinished materials, machine-building, electronics, chemical, and defense industries formed their own systems. Both the coastal areas and the third-line regions had separate industrial systems.

The construction of the third-line regions has on the whole undergone two stages:

In 1965 the first high tide began to form. However, not long afterward, the "Great Cultural Revolution" broke out, seriously undermining and obstructing production and construction.

In 1969, when border conflicts between China and the Soviet Union were raging, there emerged the second high tide in the construction of the third-line regions. Most enterprises in the regions were established that year.

Most investments in China's Third and Fourth 5-Year Plan periods were poured into the construction of the third-line regions.

The Rear Base Has Begun to Take Shape

The large-scale construction of the third-line regions, which lasted to the end of the seventies, cost the state nearly 200 billion yuan in investment. The original value of the regions' industrial fixed assets amounted to 140 billion yuan. In the regions there were 29,000 enterprises under the system of ownership by the whole people. They included nearly 2,000 large and medium-sized key enterprises and scientific research units, or one-third of the national total. The construction of the third-line regions, into which the people throughout the country have thrown their energy, has achieved very great successes.

--A strategic rear base with a relatively complete range of industrial sectors and with heavy industry as the dominant factor has basically taken shape. A considerable portion of China's production capacity in defense, electronics, and machine-building industries is concentrated in this rear base.

--The construction of the third-line regions has given an impetus to the development of energy and other natural resources of the hinterland. The third-line regions have various mineral resources and huge reserves. The distribution of mineral resources is relatively concentrated. The regions' coal reserves make up one-fourth of the nation's total reserves and their iron and copper ore reserves constitute about one-third of the nation's total. The reserves in vanadium, titanium, manganese, aluminum, nickel, lead, zinc, wolframe, molybdenum, antimony, tin, phosphorus, and natural alkali occupy an important position in China. Since the construction of the third-line regions was started, some coal and power bases as well as a number of iron and steel enterprises in Panzhihua, Wuyang, and Jiuquan have been established. A number of key nonferrous metal enterprises, such as the Guizhou aluminum plant, the Xinan aluminum processing plant, and the Emei semiconductor materials plant, have [word indistinct] set up. The regions' steel output accounts for 29 percent of the nation's total and the output of 10 nonferrous metals makes up approximately half of the nation's total.

--The backward transport situation in southwestern China has been initially improved. In addition to the Chengdu-Chongqing Railroad and the Baoji-Chengdu Railroad, which were constructed after the founding of the PRC, during the construction of the third-line regions, the Chongqing-Guiyang, Guiyang-Kunming, Chengdu-Kunming, Changsha-Guiyang, Xiangpan-Chongqing, Gioazuo Zhicheng, and Yangpingguan-Ankang railroad trunks or feeders, which are 16,000 km long, have been repaired and reopened to traffic one after another. The regions have 370,000 km of roads, and the quality of road surfaces has been significantly improved.

--The construction of the third-line regions has promoted the development of local economies, in particular the economies of the regions where minority nationalities live in compact communities. Far away from cities, most enterprises in the third-line regions are scattered in border mountainous areas. Consequently, many new small cities and towns have sprung up in the regions, of which 30 are relatively large industrial cities. These enterprises have provided local people with job opportunities and also created markets for local economic prosperity.

The construction of enterprises in the third-line regions was carried out relatively late. Therefore, their equipment is comparatively new. Since defense industries are technology-intensive ones, the number of engineers and technicians in the regions is 300 to 400 percent more than that in the coastal areas. Regarding the rich technological resources and ample equipment of the third-line regions, people figuratively call them "tigers hidden in remote mountains."

The Consequences of Neglecting Economic Laws

The purpose of the construction of the third-line regions was to make preparations against war. People raced against time because it seemed that war was to break out very soon. As a result, their neglect of the laws of economic construction led to mistakes. To sum up, we should draw the following lessons:

First, the principle for construction of the third-line regions was: Rely on the mountains, disperse, and take cover, in which the stress was put on dispersal. A large-scale dispersal was required throughout the nation by dispersing construction from the first to the third line, while a small-scale dispersal was encouraged in the third-line regions and factories were to be built in the mountains and kept far from the cities. Each enterprise was to be dispersed again into several workshops. These measures taken merely against air raids wasted a lot of money, undermined the national production structure, caused enormous transport problems, and sharply increased production costs.

Second, in order to race against time and blindly seek high speed, the procedures of capital construction were not followed. The selection of factory sites was an obvious consequence. Without conducting a careful survey; some factories decided hastily on their construction sites.

Third, production was placed before livelihood. As the livelihood of workers and staff members was not taken into account, the enterprises were remotely situated, it was extremely difficult to get support from cities, and the factories had to undertake everything concerning workers and their family members. The enterprises had to run kindergartens, schools, hospitals, shops, cinemas, and bus companies and even be responsible for employment of family members. Consequently, a factory director was like a "mayor." Even then, it was difficult to keep the workers' minds on their work and to get them settled down.

Due to high production costs, poor results, hardships, and restrictions on the economic system, it was difficult for the third-line enterprises to make the most of their considerable productive forces.

Start With Readjustment and Transformation

Tremendous changes have taken place in the current world situation. Although the danger of a world war still exists, the forces for peace in the world exceed the factors for war. So long as all peace-loving countries and peoples unite and fight together, the maintenance of world peace will be possible. Under such circumstances, China has concentrated its forces to carry out the building of the four modernizations and has reduced its military spending and cut down its troops by 1 million. In this situation, many national defense factories located in the third-line regions have to face the situation of fewer production tasks and a reduction in orders for military supplies. With the passage of time and the deepgoing reform of China's economic structure as a whole, the aftermath of the third-line construction will become more prominent. Economic circles have two different views on the issue.

The first one negates the third-line construction and regards it as a "burden," while the second regards it as a "treasure." After listening to the reports on the readjustment, transformation, and planning work of the third-line construction in November 1983, Premier Zhao Ziyang pointed out: "Both views are one-sided."

According to Zhao, the factories in the third-line regions can be divided into the following three categories:

The first one is successful. The distribution of these factories conforms to strategic demands. There are bright prospects for the products. The factories can produce better economic [word indistinct] make great contributions to the state.

The second one is basically successful. However, the enterprises have failed to make the most of their productive forces and to attain better economic results due to restrictions on transportation, energy supply, information, and management level.

The third one has no prospects. Owing to serious problems in factory sites, a lack of production targets, and difficulties in maintaining production, these factories should be closed down, have their production suspended, be merged with other enterprises, be switched to the manufacture of other products, or moved to other places.

Not long after Zhao's speech, an office for the readjustment, transformation, and planning of third-line construction under the State Council was set up, with Lu Dadong, former governor of Sichuan, as its head. The main task of this office was to conduct investigations, draft plans, and readjust and transform the third-line enterprises so as to bring their role into full play.

According to the findings, the situation of the third-line enterprises was more or less as follows: The first category accounted for 48 percent of the total; the second, 45 percent; and the third, 7 percent.

The First Three Steps

During the mid-seventies the state had already noticed the serious mistakes made in third-line construction. At that time, the state readjusted some projects, made new arrangements for the enterprises built in remote mountains, and suspended large-scale investment in the third-line regions.

However, the readjustment and transformation of the third-line construction was actually put on the agenda of the state in recent years. In a letter to Zhao Ziyang on 27 February 1983, Li Xiannian pointed out that if the work is properly done, it will play a great role in encouraging the comrades working in the third-line regions." Meanwhile, "we can continue to readjust China's irrational industrial structure, put an end to the backwardness of the third-line regions, and promote the economic development of the hinterland. Naturally, we cannot follow the practice of the past because our financial and material resources are limited. Nevertheless, we should always have the interests of the third line at heart. When the time is ripe and where conditions permit, we should, through investigations and unified planning, develop the projects that have bright prospects so that they can play an increasingly important role in the third-line construction."

Thousands of large and medium-sized enterprises and millions of workers and technical personnel who have worked hard for more than a decade have longed to serve the country. With the efforts made over the past few years, the readjustment work has gotten onto the right track and taken the first three steps:

—Enterprise readjustment. With the approval of the state, more than 100 enterprises and institutions that could not exist independently without external support have undergone readjustment, moved from the remote mountains to large and medium-sized cities or conveniently located areas, and merged themselves with other enterprises or built up the enterprises independently. The removal of the first group of enterprises began this year.

--Readjustment of products. In light of the characteristics in advanced equipment, capable personnel, and scientific research ability of the third-line enterprises, these enterprises, after shifting to the manufacture of other products, mainly produce new textile machines, civil aircraft, electronic components, heavy and light capacity trucks, equipment for large thermal and hydropower stations, rolling-stock, hydraulic frames for coal mines, and precision machine tools.

--Horizontal economic ties. In accordance with Premier Zhao's proposal, the coastal areas and hinterland have carried out large-scale economic and technological cooperation in jointly exploiting resources, producing famous brand and high quality commodities, replacing imported electronic products with Chinese-made ones, and exchanging technology and qualified personnel, and have achieved remarkable successes, thus manifesting the great vitality of such cooperation.

Facts have proved that the orientation of the first three steps taken is correct.

Regarding the third-line construction as a whole, however, there are still many outstanding problems. Each enterprise has a considerable amount of fixed assets and large numbers of workers and their family members. Therefore, the readjustment work is extremely arduous.

The Great Potential

Where does the potential of the third-line enterprises lie? First, a galaxy of talent; and second, the equipment of the third-line enterprises is new, large, of a precision type, and better in quality compared with other parts of the country. So long as the enterprises produce marketable goods, slightly transform and update their equipment, and strengthen lateral economic ties, they will be able to achieve the results of lower investment, shorter cycles, more output, and increased efficiency.

For example, the state badly needs large mine cars with a carrying capacity of 154 tons. If some tens of millions of yuan are invested in Xiangtan electrical machinery plant and Loyang mining machinery plant, the batch production of mine cars can be put into operation within a short period. However, if an enterprise with an annual output of 100 large mine cars is to be built, an investment of at least 300 to 500 million yuan will be required.

With a slight transformation of the available equipment, a certain base of the Ministry of Astronautics Industry manufactured and trial-produced two types of imported oil well testing equipment. The price of the imported equipment was over $40,000, but only 13,000 yuan was required to manufacture it by ourselves.

It is quite easy for national defense enterprises to carry out such projects that require little investment but can produce better results. Similar examples are too numerous to mention.

Large numbers of talented people can be found in the wild mountains. So long as we step up the work of readjustment and transformation and give full play to the role of the third-line enterprises, they will inevitably become a vital force of China's industry, form a motive force with the coastal industry, and jointly accelerate the progress of China's modernization program.

/8309
CSO: 4006/1189

CHONGQING MAYOR DELIVERS GOVERNMENT WORK REPORT

HK061656 Chongqing CHONGQING RIBAO in Chinese 10 Jun 86 pp 1-3

["Government Work Report Delivered by Mayor Xiao Yang [5135 4441] at the 4th Session of the 10th Chongqing City People's Congress on 31 May 86" -- passages within slantlines published in boldface]

[Text] Fellow Deputies:

On behalf of the Chongqing City People's Government, I submit a report of government work to the congress for your discussion and approval.

The Situation of Work in 1985

The Year 1985 was a crucial year in comprehensively fulfilling the Sixth 5-Year Plan and making preparations for the Seventh 5-Year Plan. It was also the third year of our city's experiment in reforming its overall economic structure. According to a resolution adopted by the 3d meeting of the 10th City People's Congress on government work, the city's people's government and people of the entire city have conscientiously implemented the decision of the CPC Central Committee on the reform of the economic, scientific and technological, and educational systems. They have persisted in implementing the policy of enlivening the domestic policy and opening up to the outside world. They have given first priority to reform and have simultaneously grasped the building of spiritual and material civilizations. They have made marked achievements in various construction undertakings, with the emphasis on economic construction. All this has laid a solid foundation for the fulfillment of the Seventh 5-Year Plan.

/1. A new development in the reform of the economic structure has been achieved, and the objective of "winning a victory in the first battle" has been basically attained./

Last year's reform was carried out in accordance with the guiding principle of the central authorities on "being firm and unshakable, fighting the first battle carefully, and ensuring success," and the guiding thought of the city's CPC Committee on "giving first priority to reform and doing things in a vivid and effective way in the process of grasping the work firmly." Our main emphasis was placed on strengthening macroscopic control, invigorating the enterprises, enlivening circulation, and carrying out price and wage reform in order to promote the profound development of various reforms.

To further reinvigorate enterprises, on the basis of expanding the decision-making power of enterprises as begun a few years ago, we carried out investigations in some medium and large enterprises and supported and helped them in light of their different conditions in terms of technological reform, the level of profit retention, joint operations, adjustment of product mix, proper reduction of the scope of accounting units, and so on. This created conditions for enlivening medium and large enterprises. In the meantime, we guided enterprises so that they could continue to do well in the reform of "forming a small but complete set," in further improving and perfecting the economic responsibility system in enterprises, and in reforming in a planned way the leadership system of enterprises. Last year the number of industrial enterprises which followed the responsibility system of managers on a trial basis increased to 392. About 20 percent of industrial enterprises under city government implemented a responsibility system with the emphasis on the term of service of factory managers. New progress was made in the methods of business operations of enterprises. There were 1,073 state-operated small commercial units in the whole city which were collectively operated or run on a rental basis, although they were still owned by the state. All this has urged enterprises to improve their business management, enhance their product quality, and strengthen their technical reform so that they can achieve better economic results.

We made an important step in price and wage reforms. In accordance with the arrangements made by the central authorities, we followed a guiding principle of "integrating readjustment with opening up and taking careful steps." We abolished the system of a state monopoly over grain purchase, implemented a system of placing orders for the purchase of grain based on contracts, and readjusted the buying and selling prices of grain and edible oil in the rural area. We abolished the system of fixed quotas of purchasing live pigs and implemented in a planned way a system of purchasing live pigs at negotiable prices. We gradually freed the prices of nonstaple food such as fresh vegetables, aquatic products, fruit, and so on, and followed a principle of regulation of market mechanism. We properly increased short distance railway freight charges, and widened the price difference between some commodities based on quality and regional differences. We adopted certain measures to strengthen control over goods price, and made efforts to control the overall level of prices. While readjusting the price of pork, we provided allowances for staff members and workers. We gave play to the role of state-operated commerce in handling the circulation and readjustment of commodities and in controlling price hikes to ensure market supply. We improved the method of making up for the losses of state-operated enterprises responsible for buying and selling food and vegetables. All this effectively prevented a great fluctuation in commodity prices and ensured the smooth progress of price reform. Judging from the present situation, pork and vegetable prices in our city are comparatively stable. Vegetable supply can still be basically ensured even in a slack season. When we freed commodity prices, the prices of some goods went up. However, with the development of production, their prices have gradually become stable and rational. During the latter half of last year, in accordance with the unified arrangements made by the state, we carried out wage reform. Government organs and institutions have followed a wage structural system mainly based on posts and have initially got onto the new path of the wage system. As far as wage reform in enterprises is concerned, most enterprises are now implementing a method of basic wage plus monetary award. A small number of enterprises are implementing a system of linking total wage amount with economic results and results in work on a floating basis. The wages of our staff members and workers have been increased. However, due to various historical reasons, there are still many problems concerning wages. They cannot be solved overnight. Wage distribution has not yet been perfected and become completely rational. These problems will be gradually settled in the course of in-depth reform in the future.

The social commodity market is in the making. Last year, while developing a consumer goods market and agricultural and sideline products market, we actively opened up the market for the means of production, established comprehensive trading centers for the supply and marketing of goods and materials, and set up other five specialized trading centers in charge of electrical machinery products, cars, wood, and so on. We have initially established circulation networks which integrate planned supply of the means of production and regulation by market mechanism. We have started to establish a financial market. The technology market, property market, and labor affairs market are gradually developing. The establishment of these markets has paved the way for the formation of a market system and helped us accumulate useful experiences.

Due to comprehensive reforms in various fields over the past 3 years, our economic system has been initially turned into a new system which is full of vigor and vitality. Enterprises have been gradually invigorated, and our socialist commodity market has been continuously expanded. A very great development has been achieved in the establishment of various ownership systems and in the implementation of various business management methods. A breakthrough has been made in improving the situation of the separation between urban and rural areas and in overcoming the state of seclusion. Multilayered economic networks have been initially set up. All this has played a vital role in enlivening the economy, emancipating the productive forces, and in improving the livelihood of the people in the urban and rural areas.

/2. Sustained development of the national economy has been achieved, and people's livelihood has been improved./

Promoted by economic structural reform, the implementation of the 1985 national economic plan in our city was good. Total social production output value of the city reached 20 billion yuan, an increase of 12 percent over 1984. GNP reached 10 billion yuan, an increase of 12 percent. National income reached 8.4 billion yuan, an increase of 12 percent over 1984. The total industrial and agricultural output value reached 17.139 billion yuan, which was a record high level, and registered an increase of 13.7 percent over 1984.

The rural area in the city conscientiously implemented Document No. 1 issued by the central authorities, profoundly carried out the second stage of reform, actively readjusted production set-ups, and promoted the development of the rural economy. The total rural social production output value reached 6.26 billion yuan and total agricultural production output value reached 4.045 billion yaun, an increase of 21 percent and 8.8 percent respectively over 1984.

However, main industrial crops and agricultural and sideline products such as pigs, milk, poultry, eggs, fish, fruit and others increased by a fairly big margin. In particular, town and township enterprises developed very rapidly. They have now become pillars of the rural economy. Last year, the total output value of town and township enterprises of the city was 2.68 billion yuan, an increase of 64.4 percent over 1984. Their products earned 30 million yuan in foreign exchange for the state. In 12 areas and counties, the total output value of their town and township enterprises exceeded 100 million yuan. Shiqiao Township in Shapingba District became the first township whose township enterprises' incomes exceeded 100 million yuan. Great cooperation between urban and rural areas greatly developed last year. There were more than 5,000 cooperative joint projects with an output value of more than 500 million yuan. More than 1,000 technical workers were transferred from the city to rural area, and more than 8,000 technical personnel went to the rural area to provide consultancy services. They provided services for more than 10,000 items in the rural area. More than 20,000 people received technical training. A prosperous situation occurred in the entire rural area.

Industrial and communication enterprises in our city tapped their potential with the emphasis on enhancing their economic results. This promoted the sustained and stable growth of production, and the highest level in history was attained. Total industrial output value of the city for the whole year was 13.35 billion yuan, an increase of 15 percent over 1984. Total budgetary profit of state-operated industrial enterprises under the city government increased by 11.8 percent, and their sales tax turned over to the state increased by 35 percent. The energy, transportation, and postal and telecommunications sectors comprehensively accomplished the state plans. Our product quality steadily improved. The quality of some 90.45 percent of our products steadily enhanced during the year. Six kinds of products won gold medals presented by the state, and eight kinds won silver medals. Some 40 kinds of products were awarded for good quality by the ministries concerned. Some 140 kinds of products were praised by the city departments concerned for high quality. Through the readjustment of product mix, some 1,190 kinds of new products were developed during the year. Some 850 kinds of new products were produced in batch process, and good results were achieved in this regard. The progress of technological reform was accelerated. Enterprises under ownership by the whole people of the city made investment valued at 572 million yuan in renewal of facilities and equipment and in technical reform, an increase of 310 million yuan over 1984. There was a 140 percent rise in the investment aimed at increasing varieties and the quality of products. There was another 34.2 percent increase in investment aimed at conserving energy and raw and processed materials. Some 708 projects were completed and went into operation in the year. There was an increase of 550 million yuan in the new fixed assets. Economic integrated bodies marched along the direction of the collectivization of enterprises. Some 267 economic integrated bodies were set up in the industrial sector of our city, and there were 534 joint cooperative projects. Some 3,000 enterprises took part in joint operations. Military enterprises achieved market results in manufacturing products for civilian use. Last year the output value of their civilian products reached 1.08 billion yuan, an increase of 96.1 percent over 1984. Key products which they manufactured included motorcycles, bicycles, mini cars, ring-pull soft drink cans, deep well oil pumps, and so on.

With the sustained and stable development of industrial and agricultural production, our commerce was brisk in both purchase and marketing. There was an increasingly ample supply of goods, and a gratifying and vivid situation occurred in the circulation field. Total retail sales volume of social commodities of the city reached 5.23 billion yuan, an increase of 26.7 percent over 1984. Pure commercial purchase amount was 4.34 billion yuan, and pure commercial sales volume was 4.63 billion yuan, an increase of 14.6 kpercent and 10.6 percent over 1984, respectively. The profound development in structural reform enhanced the circulation function of key cities and expanded market share of products manufactured by Chongqing. Commercial departments under the city held more than 60 exhibitions and fairs. The amount of industrial goods transferred to other provinces and cities increased by 31 percent. Commercial departments established 73 trading centers of all forms, whose turnover for the whole year reached 1.55 billion yuan. Trading centers of industrial products of our city established connections with more than 3,000 enterprises in 24 provinces and cities, with the turnover for the year reaching 720 million yuan. A commodity fair was held in Chongqing last year by four provinces and regions and five parties, with total sales volume reaching 500 million yuan. The purchase and marketing on the market for the means of production were also brisk. Turnover of the various trading centers, for goods and materials of the whole year reached 360 million yuan. Country fair trade in both urban and rural areas further developed with a total transaction commodity weight of 800 million kilos and turnover of 960 million yuan, an increase of 14 percent and 31.4 percent over 1984, respectively. There was a marked change in the commercial structure, and a multichannel business pattern has been formed. In the process of enlivening commodity circulation, we actively improved commercial service facilities and carried out activities to build civilized shops. Some 184 civilized shops were selected in the city. All this promoted the improvements of service quality in the commercial field.

Last year we carried out the reform of the financial structure of prefectures and counties, and did the work of substituting tax for the delivery of profits in the second stage. We broadened the sources of income and reduced expenditure. As a result of increasing income and decreasing expenditure, financial revenue of the whole city reached 1.66 billion yuan, an increase of 22.2 percent over 1984. The margin of increase of financial revenue was the largest since the comprehensive reform of the economic structure. In accordance with the arrangements made by the State Council, we extensively examined the observance of financial, tax, credit and price regulations in the city. All this played a positive role in increasing financial revenue, strengthening a sense of discipline, and improving party workstyle and the general mood of society. On the basis of the development of production, the living standard of urban and the average wage increase of staff members and workers of the whole city was 15 percent. After deducting the factor of commodity price hikes, their actual growth rate for wages was 4.7 percent. Per capita net income of peasants was 366 yuan, an increase of 11.1 percent over 1985. We made job arrangements for some 85,000 people in towns and townships during the year. Savings deposits in the urban and rural areas increased by a big margin. By the end of the year, savings deposits reached 1.86 billion yuan, an increase of 38.2 percent over 1984. New changes took place in the consumption structure of the people in the urban and rural areas. The consumption of clothes and commodities for daily use exceeded that of food. There was a larger increase in the sales of some durable consumer goods, especially household electric appliances such as television sets, washing machines, refrigerators, and others. All this shows that the living standard of the people in both urban and rural areas had been truly enhanced.

/3. There was a good beginning in the implementation of the policy of opening up to the outside world and faster development in establishing lateral economic links./

Under the guiding principle of opening up to the outside world, last year our city achieved rapid development in carrying out multilayered, multichannel and multiform economic cooperation and coordination. A guiding principle of "relying on one's efforts, carrying out multilateral cooperation, and seeking common reinvigoration with the support of the state" was put forward by the second economic coordinating meeting held in Chongqing by four provinces and regions and five parties. The guiding principle was affirmed by the CPC Central Committee and the State Council. It promoted the development of lateral economic links in the southwest region. Overall economic and technical cooperation was carried out in the fields of transportation, post and telecommunications, training of scientific and technological personnel, commodity circulation, key construction projects, exploration of mineral resources, financial information, culture, education, and others.

The economic coordinating committee established by four cities on the banks of the Chang Jiang--Shanghai, Nanjing, Wuhan and Chongqing--has discussed and proposed plans for joint shipping operations on the Chang Jiang, internal and external trade, scientific and technological exchanges, development of tourism along the Chang Jiang, posts and telecommunications, financial coordination, information exchange, and others. All this will play a positive role in the exploitation of Chang Jiang resources and promoting economic links between western and eastern parts of China. Our city has continuously expanded its economic ties with various parts of the country. We have established economic cooperative relations with 28 provinces, cities and autonomous regions. Last year some 1,259 agreements were signed, covering goods and materials valued at 250 million yuan.

There was rapid development in transregional economic cooperation in various trades and services. Some 30 trades have been covered by gilds established by four provinces, regions, and parties. The trading of traditional Chinese medicines is following a path of big-scale and chain-like coordination in terms of the development of products, processing, production and marketing. Under the principle of "free passage in and out, keeping subordination relationships unchanged, equal consultations, and mutual benefits," the papermaking trade speeded up the progress of transregional economic cooperation with the emphasis on key products is developing vigorously. The Jialing Enterprise Group, which produces motorcycles, has established cooperative relations with 222 plants in various parts of the country. They cooperate voluntarily, mutually serve each other, rely on each other, and coordinate their actions. This has doubled the production output of motorcycles. The Chongqing Beverage Industrial Company, which produces Tianfu Kele [a kind of soft drink], has coordinated with a specialized scientific research unit to establish two integrated bodies engaged in research and production. It has also cooperated with 25 provinces, cities and regions throughout the country to set up 78 affiliated factories. It has worked together with commercial sectors to jointly establish 23 industrial and commercial outlets. This has expanded the production and sales of the beverage, and demonstrated the vitality of economic cooperation.

A new situation was initially created in foreign trade and economic and technological cooperation. We have upheld the principle of free integration and given first priority to the expansion of exports in foreign trade. We have also strengthened leadership over export work. Forceful measures have been taken in the production, purchase, shipping, and marketing of export commodities. All this has ensured overfulfillment of export quotas. Last year the total purchase amount of commodities of the city for foreign trade was 486 million yuan, an increase of 66.5 percent over 1984. Export volume of products manufactured by our city reached $104.61, an increase of 68.6 percent over 1984. We exported 297 kinds of products in 14 major categories. We exported our goods to 62 countries and regions. There was also a greater development in promoting economic and technical cooperation with foreign countries and in export of the labor force. Last year, labor force export and the number of contracted engineering projects abroad increased by 230 percent over 1984. Yufeng International Company Limited, established in Hong Kong, has become a "window" of our city's economic relations with foreign countries. The work of establishing joint venture enterprises with foreign countries has been started, and new progress has been made in the import of foreign capital, technology, and facilities. Some Sino-foreign venture enterprises, enterprises based on joint operations, and rental operations are developing. Last year, 36 contracts valued at $50.55 million were signed in the city on using foreign capital, an increase of 110 percent over 1984. Technology and facilities valued at $58.37 million were imported. Foreign trade and economic and technological cooperation constantly expanded. They have now become important pillars of the economic development of our city.

With regard to tourism, our city has achieved better results in strengthening management, improving service quality, and increasing economic results. Last year we received tourists from 36 countries and the Hong Kong and Macao regions. The number of tourists increased by 29.9 percent over 1984. Incomes from tourism increased by 81.5 percent over 1984. Tourism as an "invisible trade" has played a positive role in our city's economic development.

/4. The progress of urban and rural construction was accelerated, and city management improved./

To build our city into an open and multifunctional key city, we grasped urban planning, construction, and management as an important task. We adopted a series of measures aimed at enhancing ideological understanding, strengthening organizational work and leadership, straightening out the management system, increasing material input, perfecting management rules and regulations, improving the contingent of urban administration, and so on, so that new progress was made in urban construction and urban management.

With regard to road transportation and construction, we upheld the principle of paying equal attention to road construction and transportation management, so that city transportation could be improved. Last year we completed the projects of the Niujiaotuo overpass, Zhongshan branch road, Eling tunnel, Lingjiangmen pedestrian bridge, and Kaixuan Road elevator. We also completed the project of repaving the Tuwan section of Jialing Road. In the meantime, we strengthened transportation management and made full use of the existing roads. We turned several key roads in the city proper into one way roads to ensure the cyclic flow of vehicles. In so doing, the long-standing problem of traffic jams in Niujiaotuo, Shangqingsi, Lianglukou, Daping areas, and so forth could be solved. We increased our city's passenger transport capacity, and bought 188 buses and tramcars and more than 200 taxis. All this created conditions for solving the difficulty of the masses in "travelling by public transportation." In the city, we widened 1,281 kilometers of roads and repaved 490 kilometers of roads. We also did a lot of work in postal and telecommunications construction. We enhanced our postal and telecommunication capability, improved working methods, and expanded services. We erected telecommunication lines linking 14 large- and medium-size cities. The backwardness in our telecommunications is being improved.

With regard to residential building construction and water supply in the city, last year we completed the projects of building residential houses covering a floorpsace of 1.63 million square meters, and of repairing and rebuilding residential houses covering a floor space of 68,700 square meters. More than 30,000 families moved into new houses, and housing conditions for some of our residents have been improved. We built and rebuilt houses in the rural areas covering a floor space of 6.32 million square meters. Some 100,000 peasant households moved into new houses. Last year was a year in which we improved living conditions of peasants more markedly. Last year we built and rebuilt five small town and township waterworks and completed the project of linking the Jiangbei waterworks with the Jiangling machinery plant by waterpipes provided by the plant. This increased the water supply capacity in Guanyingiao area by 15,000 tons and improved water supply conditions of some town and township residents. The project of gas supply for residents has continued to develop. The number of households which have gas supply increased by 60,000 in the year. Now there are 270,000 households in the city that have gas supply.

With regard to environmental protection work, we worked out specific plans for implementing the resolution adopted by the 3d session of the 10th City People's Congress. The problem of environmental protection is being tackled in a comprehensive way. The project of reforming boilers with a capacity of more than one ton in the city was basically completed. Some 13 factories with a serious pollution problem in the central district of the city have moved to other places or switched their production. The problems in the 47 seriously polluted spots have been solved. We helped more than 400 enterprises solve their problem of industrial noise pollution. Traffic noise pollution on the main streets in the city has been initially controlled. We also speeded up the progress in building more gardens and making places green by planting more trees. We newly built 121 small gardens and green places, and rebuilt dirt roads in small lanes covering an area of 320,000 square meters. All this played a positive role in improving our city's environmental quality.

Our city is divided into 14 districts. With regard to urban planning work, seven districts have worked out their plans. The county town plans have also been completed by 12 counties. All this strengthened the guidance and management over rural construction and speeded up the progress in reforming the old areas and the construction in the new areas. Last year in the old areas we rebuilt houses with a total floorspace of 80,000 square meters. In the new areas, we built houses with total floorpsace of 280,000 square meters. Construction projects in Daping, Yaoziqiu, on the northern side of the river, and two small areas in Nanping have been initially developed. The projects for building an industrial products trading center and the building of cooperation between four provinces, five regions, and four parties have started one after another. The key projects in building a civil airport on the northern side of the river and of Shimen Bridge over the Jialing Jiang, which started last year, have been progressing very rapidly. The quality of the projects has been up to standard. With the completion of these projects, greater changes will take place in our city.

While making more efforts in urban planning and construction, we have strengthened urban management, readjusted and consolidated urban management organizations, and established a leadership system which links city government with various districts. We have established a three-level urban management system which integrates city government with districts and neighborhood committees, with the emphasis on the management of the city government. We have strengthend the work of executing the law on urban management, and promulgated rules and regulations of "three forbids" governing city appearance and sanitation, and "five forbids" on taking buses and ships. We have also extensively urged the masses to implement the responsibility system of "three assigned tasks" in front of the door of each household. Through the activities of improving city sanitation, traffic order, and street markers, banning illegal street peddlers, and cracking down upon speculation, smuggling, and illegal business, the situation of dirt, chaos, and inefficiency in the city has been initially improved.

/5. We achieved new development in scientific, technical, cultural and educational undertakings, and further strengthened the building of spiritual civilization./

In the process of reforming our scientific and technical system, we have made new progress in making scientific research and technological development serve economic construction and in promoting integration between scientific research and production. Units at the city level completed 208 key scientific research projects. The whole city earned 33 national-level prizes for scientific and technological progress, and 8 invention prizes presented by the state. The use rate of our scientific and technological achievements was as high as 80 percent or so. All these are our unprecedented achievements. The technology market is developing. Some 177 scientific and technological development and exchange centers and technical management institutions have been set up throughout the city. We carried out technological exchange activities on 35 occasions. Some 1,148 agreements with a business volume of more than 80 million yuan were reached. Some scientific and technical achievements have begun to enter the international market, and have enjoyed prestige abroad.

Our reform of the educational system is developing profoundly, and our basic education has been strengthened. Our city has now basically accomplished the historical task of making primary education universal. The reform in the structure of secondary education has further developed. The number of new students recruited by vocational secondary schools, special secondary schools, and technical secondary schools accounts for 40 percent of the total number of new students recruited by senior secondary schools. The situation of a unitary structure in our secondary education has been initially changed. Our educational quality has been widely enhanced. Our education has enabled our secondary and primary school students to develop morally, intellectually, and physically. More than 100,000 three-good and excellent students have been praised by the city, prefectures, and counties, and some 575,000 primary and secondary school students have attained the standard of physical training set by the state. In addition, 5,387 students were admitted to various universities and colleges. In accordance with the demands set by the state, our educational funds increased in two ways. Last year, 201.74 million yuan was spent on various educational investments, an increase of 39.7 percent over 1984. This percentage was higher than the margin of increase of regular financial revenue. Over the past 2 years, we raised educational funds through various channels in order to improve the conditions for running schools. We scored great success in this regard. We raised funds totalling 77.83 million yuan for the schools in urban and rural areas, built and rebuilt school buildings covering a floorspace of 627,000 square meters, and repaired school buildings covering a floorspace of 1.09 million square meters. The number of students and postgraduate students studying in various universities and colleges and adult educational institutions has increased. Teaching work and ideological and educational work have been strengthened. The task of providing staff members and workers with additional courses to enhance their educational level has been basically completed. All this has played an important role in training talented personnel urgently needed by our city and improving the quality of the broad masses of workers and staff members.

Departments in charge of culture, art, broadcasting, television, the press, and publications played an active role in the building of spiritual civilization. Last year, 42 literature and art works won awards from the state and province. Cultural centers in various towns, townships, and subdistricts of our city have widely carried out cultural activities for the masses. They have become a forward position in the building of spiritual civilization. Qijiang County has been named "home of peasants' prints" by the province. A lot of prints were exhibited in San Francisco in the United States on invitation. Some 96.6 percent of the residents of our city was provided with broadcasting service, whereas the percentage of people provided with television service had increased from 30 percent in 1984 to 77 percent in 1985. We published 580 kinds of books and 194 kinds of magazines. We have formulated regulations for them so that art and literature could give play to their social benefit and serve the building of spiritual civilization.

We continuously improved medical and public health work, and extensively carried out medical and health protection work. Last year we provided more than 1 million staff members and workers with health checkups, and prepared files on them. We provided free medical checkups for 94,000 deaf and dumb and other handicapped persons. We gave medical checkups to 610,000 women suffering from female disorders. We strengthened food hygiene and control over medicines. We destroyed more than 400,000 boxes of fake medicines, and 120,000 kilos of fake and inferior Chinese medicines. We also eliminated 240 kinds of other medicines. We achieved marked results in family planning work. Last year, the natural growth rate of the population in our city was 0.661 percent, and our city was chosen as an advanced collective in family planning work in the country.

Physical culture and sports constantly developed, and sports activities of the masses were increasingly enlivened. Some 812 sports associations were set up in various factories, mines, and enterprises throughout the city, and more than 700,000 staff members and workers took part in sports activities. We held sports meet for youngsters for the first time since the founding of the people's republic. We also held sports meets for the aged, for peasants, and for the handicapped. At the first provincial workers' sports meet, Chongqing City won the team title. In the national games, our city won 12 champions, 15 second places, and 12 third places. The Chongqing Women's Volleyball Team has been promoted to play in the first division of the nation.

In the building of spiritual civilization, we paid attention to strengthening ideological building. Through education in situation and the four basic principles, and widely carrying out the activities of "five stresses, four beauties and three loves," and the activities of learning from heroes and model workers, we succeeded in arousing the revolutionary enthusiasm of the broad masses of cadres and people in taking part in reform and devoting themselves to the four modernizations. We further strengthened the building of our state power and legal system, and strictly and promptly cracked down upon criminal elements and severe economic criminal elements. All this promoted the improvement of our social order and consolidated and developed the political situation of stability and unity.

Over the past year, we made new achievements in the work of civil administration, foreign affairs, nationality, religion, overseas Chinese affairs, people's militia, civil air defense, and so on. We also made positive contributions to the building of the two civilizations.

While fully affirming our achievements, we should soberly realize that under the present favorable situation, there are still some problems and difficulties in our work. They are mainly reflected in the following: There are still unstable factors in our city's economic life. The supply of energy, funds, and raw and processed materials are severely insufficient, electric power supply in particular. All this has seriously hampered the development of production. The situation of poor economic results has not yet been completely changed. Our agricultural foundation is comparatively weak and our capability to combat natural calamities is not powerful enough. The development of our rural commodity economy is comparatively slow, the work of land management is weak, and the situation of occupying and using cultivated land arbitrarily is fairly serious. Basic facilities in our city have been improved in recent years. However, due to the fact that what we did was completely insufficient in the past, our present facilities of city transportation, telecommunications, and water supply are still backward. The problem of dangerous buildings, cliffs, and landslides has not yet been effectively tackled. There are still many potential unsafe factors. All this has affected the multifunctional role of our city to a certain extent. Although financial revenue has increased by a big margin, the situation of expenditure exceeding income and an imbalance between revenue and expenditure because of the rise in expenditure still exists. Therefore, we will be hard up financially. Some of the work which should be done remains undone because of this. In the meantime, due to the fact that our organizations are too large in size and that they are overstaffed, the work relations among various organizations have not yet been straightened out. Very often, they argue back and forth. Their work progresses very slowly with very low efficiency. We should fully realize these problems and continue to carry forward the spirit of reform. We should truly adopt effective measures and follow them in a down-to-earth manner. Through protracted efforts exerted now and in the future, we should be able to solve in a better way the problems that have accumulated in our city in many years in the past. We believe that with people of the whole city making their concerted efforts, working of one mind, uniting as one, and contributing their wisdom and strength, we will certainly be able to overcome difficulties on the road of advance and win new victory in reform and economic construction.

The Main Tasks of 1986

We know that 1986 is the first year of the Seventh 5-Year Plan. The period of the Seventh 5-Year Plan is a crucial period of the economic structural reform and economic development of our city. It is a matter of particular significance to follow a down-to-earth manner in doing our work in the future 5 years in order to reinvigorate Chongqing's economy and give play to its role as the economic center at the upper reaches of the Chang Jiang. Premier Zhao's "Report on the Seventh 5-Year Plan" and his reported entitled "the Seventh 5-Year Plan Marks National Economic and Social Development" are magnificent programs for reform and construction and great plans for grasping simultaneously the building of the two civilizations. According to strategic objectives and arrangements made by the state for the Seventh 5-Year Plan, our city's basic tasks for developing our economy and society during the period of the Seventh 5-Year Plan are: We should give first priority to reform, firmly and unswervingly promote urban and rural reform, and lay a foundation for the establishment of an economic system which is full of vigor and vitality. We should maintain proper speed for economic development, stick to the path of expanding reproduction by intension, strengthen basic industries, reform traditional industries, develop new industries, promote economic progress, do well in the development of intellectual resources, and strengthen economic power, in order that we can prepare staying power for economic reinvigoration in the 1990's. We should further implement the policy of opening up to the outside world, vigorously develop lateral economic cooperation, and enhance the attraction, radiating power [fu she li 6553 1410 0500], and the capability of earning foreign exchange of our city. We should adhere to the principle of simultaneously the building of the two civilizations, and make efforts to strengthen the building of spiritual civilization. On the basis of developing production, we should continue to enhance the living standard of the urban and rural people. Through the reform and construction carried out during the period of the Seventh 5-Year Plan, we should lay a good foundation for building our city into an open, multifunctional and socialist modern city.

During the Seventh 5-Year Plan, our main economic targets are: By 1990 we should achieve an average annual increase of 8.5 percent in gross social output value and an average increase of 8 percent in gross industrial and agricultural output value. The current average annual growth of gross industrial output value is 8.5 percent whereas the average annual growth of gross agricultural output value is 6.3 percent. The average annual growth rate of our GNP is 8.7 percent, average annual growth rate of national income is 8 percent, and our average annual growth rate of financial revenue is 7.6 percent. With the fulfillment of the above-mentioned targets, our main comprehensive economic index will increase by 150 percent over 1990. At that time, our various economic relations will be further straightened out, and our production set-ups and the organizational structure of our enterprises will be markedly improved. Our production and technical level and economic results will be significantly enhanced. Our economic power will be greatly increased. New changes will take place in the basic facilities of our city and its appearance. Our city government has worked out a draft plan for the implementation of the Seventh 5-Year Plan in our city in light of these economic targets. I hope that our fellow delegates will air their opinions in order to amend it. The draft plan will be submitted to the next meeting of the city people's congress for examination and approval.

To attain the targets of struggle for the period of the Seventh 5-Year Plan, we should fight well the first battle of the Seventh 5-Year Plan so that we will have a good start for various work this year. We should conscientiously implement the spirit of the national conference of party delegates and the Fourth Session of the Sixth NPC. In accordance with the guiding principle of "consolidating, digesting, supplementing, and improving," we should guide reform so that it develops in depth. We should further invigorate enterprises and extensively promote the integration of urban and rural areas. With the emphasis on economic construction, we should continue to readjust our production set-ups and product mix, firmly grasp technological reform, and enhance our capability of promoting export in order to earn more foreign exchange. We should truly do well in organizing production and circulation so that our city's economy will develop in a stable and coordinated way. We should firmly grasp the projects aimed at expanding our city's facilities and other key projects, develop the tertiary industry, vigorously strengthen the building of spiritual civilization, and effect a marked turn for the better in the general mood of society and social order. On the basis of developing production, we should continue to improve the living standard of the urban and rural people and consolidate and develop the present favorable situation of stability and unity. The main objectives of our economic development for 1986 are: Our gross social output value will increase by 8 percent over 1985 and reach 21.6 billion yuan, while our gross industrial and agricultural output value will increase by 7.5 percent and reach 18.7 billion yuan. Our GNP will increase by 8.5 percent to 10.8 billion yuan, and our national income will increase by 8 percent to 9.1 billion yuan. Local investment in fixed assets will reach 951 million yuan, which is the same as last year's level. Retail sales volume of social commodities will increase by 12 percent and reach 5.86 billion yuan. Our financial revenue will reach 1.981 billion yuan.

Five months have passed since the beginning of the year. During the first quarter of this year, the industrial sector failed to accomplish its production plan effectively due to severe shortage of power supply. In light of the problems occurring in industrial production, we concentrated our efforts on strengthening the organization and guidance over production. We adopted a number of effective measures in the fields of energy, funds, and raw and processed materials to mobilize the masses and overcome difficulties so that production in April and May would gradually rise again. However, in mid-May, a strong wind which has rarely occurred in history blew in our city. Severe natural calamities such as rainstorms and hailstones caused great damage to the lives and property of our people and to industrial and agricultural production. All this has caused very great difficulties in the fulfillment of this year's economic plan. Therefore, we will face very strenuous tasks in the 7 months to come. This will be a severe test for us. In the face of difficulties, we should get a clear understanding of the situation, strengthen our confidence, struggle hard, rely on our efforts, make efforts to overcome various difficulties, do everything possible to promote production, ensure the completion of the 1986 economic plan, and strive to win a complete victory in production, construction, and the struggle to combat natural calamities.

To fulfill this year's targets of struggle, we will strive together with people of the whole city to do the work in the following aspects:

/1. We should further enliven production and circulation so that our economy develops in a sustained, stable, and coordinated way./

The months to come are a crucial period for accomplishing the tasks of industrial and agricultural production. We should strengthen our sense of urgency and responsibility and take opportune time to resolutely fulfill the 1986 economic plan. Only by making efforts to develop production, enhance economic results, and increase financial revenue can we do other things more easily. Therefore, while persisting in the principle of placing the emphasis on economic construction, we should fully arouse the enthusiasm of various quarters, continue to enliven the economy, and promote the development of various undertakings.

A. The agricultural sector should ensure the stable increase of grain production and develop a diversified economy in light of local conditions.

Constantly strengthening agriculture--a foundation of our national economy--is an important strategic guiding principle for our country's modernization program. In accordance with the arrangements made by the CPC Central Committee and the State Council for rural work in 1986, we should conscientiously implement various economic policies, profoundly carry out rural reform, improve conditions for agricultural production, and organize service well before and after production. We should promote sustained, stable and coordinated development of the rural economy and do everything possible to attain this year's targets for total grain output of 5.5 billion kilos, total agricultural output value of 4.3 billion yuan, output value of township and town enterprises of 3.2 billion yuan, and per capita income of peasants of 40 yuan.

We should further expand the economic management power of prefectures and counties, gradually perfect the financial structure of prefectures and counties, and enhance their overall control of the economic situation. We should conduct well comprehensive experiments in reform in Baxian, Yongchuan, Hechuan, and Changshou counties. We should explore new paths and new methods for integrating urban and rural areas and combining industry and agriculture, so that they can play a better guidance role in reform than the past. We should continue to uphold the cooperation between urban and rural areas, fully integrate them, and do well in making overall arrangements. We should promote overall development of the urban and rural economy, further open up urban and rural areas, expand the wholesale market for agricultural and sideline products, trading warehouses, and the agricultural and sideline product transaction market, and promote commodity exchanges between urban and rural areas. We should develop various kinds of cooperation between agriculture and industry, between agriculture and commerce, and between agriculture, industry, and commerce. We should organize urban industrial sectors to extend their products to prefectural and county industry and town and township industry. We should transfer scientific and technical achievements, encourage technological personnel in the urban area to move to rural areas, organize scientific and technological personnel to go to the countryside, and provide consultancy services to promote the development of an increasingly prosperous rural economy.

We should continue to firmly grasp grain production. Grain production is a matter of primary importance which is directly connected with the livelihood of the urban and rural people. We should on no account slacken our efforts to grasp it. The acreage under grain this year should be retained at 17.3 million mu. We should rely on science, popularize improved varieties of grain, and raise per unit area yield and total output to ensure the stable growth of grain output. We should strengthen the management of land, ban the practice of occupying and using cultivated land arbitrarily, lighten the burden on peasants, prohibit irrational apportion of work, and properly increase investment in agriculture. We should strengthen the construction and management of water conservancy works, enhance our ability to combat natural calamities, and wrest a good harvest amid combating natural calamities. The places which are severely affected by natural calamities should particularly do this. We should carry forward the spirit of self-reliance and self-relief through production. We should organize the masses to restore production, rebuild their homeland, and combat natural calamities. All trades and services should strengthen their work to support agriculture and ensure the supply of means of production and means of subsistence needed in the rural area. We should do well in providing services before and after production, and gradually establish a rural service system. We should truly do well in the work of placing order for grain based on contracts to ensure the fulfillment of grain purchase quotas of 600 million kilos set in contracts. In the meantime, we should enliven grain circulation, do well in processing grain, and arouse peasants' enthusiasm for grain production.

We should implement a guiding principle of giving play to our strong points in light of local conditions, catering to market demand, serving the urban area, and making the rural area rich. Under the prerequisite of ensuring stable growth of grain, maintaining per capita grain output of 500 kilos in the rural area and per capita grain ration of 400 kilos in the urban area, we should carry out the readjustment of production set-ups in a planned way and step by step. We should establish various kinds of commodity production bases with the emphasis on key production items and superior products. We should vigorously develop animal husbandry, the fruit industry, the aquatic products industry, and the production of other agricultural and sideline products and local products. We should develop live pig raising undertakings in a stable way and take active measures to raise pigs which produce lean meat. We should raise 12 million live pigs in the year, and 7 million pigs should be removed from inventory. Some 30 percent of the pigs can produce lean meat. We should increase the output of milk, eggs, fish, cows, sheep, rabbits, and poultry. We should give play to our strong points in the production of oranges, tangerines, and mulberries, enhance economic results, and strengthen our competitiveness on both the domestic and foreign market. Taking tree planting as a base, we should do well in afforestation and protecting the natural resources of forest. We should implement the "forestry law" and strictly ban acts of chopping and cutting trees arbitrarily.

We should grasp vegetable production well and implement a guiding principle of relying mainly on the suburbs, while making outer suburbs subsidiary. Supply from other cities and regions should also be taken into consideration. We should stabilize acreage under vegetables in the production bases, and actively develop the subsidiary production bases of vegetables for commercial use. We should also establish connections with other sources of vegetable supply. The total output of vegetables of the whole year will reach 500 million kilos. We should increase the facilities of vegetable production bases and govern well the costs of vegetable production. Intensive production is needed in order to enhance production output and increase varieties. We should actively produce more high-quality vegetables and ensure a balanced supply during the peak period and slack season. Vegetable supply to our city should be guaranteed.

Developing town and township enterprises is the only way to invigorate the rural economy. We should strengthen enterprise management and do well in technological reform and enhancing our administrative and management level, with the emphasis on increasing our economic results and our product quality. We should mainly rely on households or villages to run town and township enterprises. They can also be jointly run by households and villages. The main emphasis of development should be placed on the processing industry for agricultural goods, and service trades before and after production. In localities where conditions exist, we should actively develop small hydropower stations, thermal power plants, small mining industry, and the building materials industry. We should also develop a [?] industry which is linked to big industry and serves export trade and the production of small commodities which are needed by people in their daily lives. We should give full play to our city's strong point in abundant sources of labor force. We should organize the export of labor force in a planned way so that it can serve our production, construction, and life. Governments at all levels should strengthen their guidance over town and township enterprises, help them solve practical difficulties, and promote their healthy development. While encouraging some portions of people to get rich first, we should truly help poor areas and areas inhabited by minority nationalities, fully make use of their local resources, and embark on the path of relying on their own efforts, developing production, and improving their livelihood so that they can change their backwardness in economy and culture more rapidly.

B. We should truly ensure sustained and stable growth of industrial production with the emphasis on enhancing economic results.

Industry is a principal part of our city's economy. We should fully mobilize the masses, adopt forceful measures, and make efforts to promote our production well so that our gross industrial output value of the whole year will reach 14.4 billion yuan, an increase of 8 percent over 1985. Our volume of goods transported will increase by 6 percent, and total volume of our postal and telecommunications service will increase by 11.7 percent.

We should grasp the key link of enlivening enterprises and truly strengthen enterprise management. Those enterprises whose management basis is weak should be determined to firmly grasp fundamental work and improve rules and regulations regarding management. Various types of work should be governed by management rules and regulations so that management work will be standardized and placed on a scientific basis. They should truly change the chaotic situation in management. Those enterprises whose management basis is solid should gradually march toward the modernization of management. They should actively follow modern management methods with an emphasis on all-round planned management, all-round quality control, and all-round business accounting. We should conduct well experiments in the modern management of large and medium enterprises, so that some of our enterprises will attain the standards of enterprises of the first, second, and their grades set by the state. Various economic management departments should strengthen and improve macroscopic control and give play to the role of economic levers. They should learn indirect management methods and actively create conditions for enlivening the enterprises, so that the quality of enterprises will be markedly improved.

We should vigorously grasp the control and supervision over production quality and make efforts to enhance the quality and function of products. We should realize that low product quality and poor economic results are fatal weaknesses of our city's industry. We should continue to uphold the principle of "attaching primary importance to quality," and truly enforce "regulations on responsibility for the quality of industrial products" promulgated by the State Council. We should improve our system which guarantees our product quality and advise a full set of effective methods for encouraging high-quality products and restricting poor quality products. We are not allowed to blindly seek speed at the expense of economic results. Poor quality products should not be allowed to enter the market. We should make use of policies and systems to ensure that enterprises can readjust their production set-ups and product mix, so that they actively develop new products, make use of the market mechanism, work out a correct business policy, and rely on product quality to open up and occupy the market. This year more than 90 percent of the products manufactured by our city should have a stable quality, and 20 percent of our products should have superior quality. Some of our products should be manufactured in accordance with international standards. We should strive to create name brands and manufacture high quality products.

Over 90 percent of enterprises under city government should gain certificates which define their grades based on production output and quality.

We should actively apply advanced technology and make use of advanced facilities, and reform the existing enterprises in a planned way. Technological reform should be carried out in a planned way and step by step in order of importance and urgency. The emphasis of technological reform should be placed on basic industries, especially the energy industry, transportation, and the raw and processed materials industry. While carrying out the work aimed at promoting technological progress, we should strengthen the implementation of the responsibility system for the projects concerned and digestion and assimilation of imported items, so that they will yield their investment results as early as possible. Enterprises under city government should accomplish their task of making investment in technological reform valued at 400 million yuan. Some 500 items of technological reform should be completed with priority given to 100 items such as technology for producing washing machines, jet looms, Tianfu Kele soft drink, margarine, and so on. While digesting and assimilating imported technology and facilities, our emphasis should be placed on main products such as color television sets, refrigerators, minicars, and so on. We should work hard so that these products can be locally produced within a period of 2 to 3 years. In the meantime, we should actively support the technological reform of industries run by prefectures and counties and speed up their industrial development. Military industrial enterprises should be firm and unshakable in switching to the production of civil products, and make a new step in this respect. They should give full play to their strong points in technology and equipment, and vigorously develop new civilian products which are marketable. This year they should strive to raise the production output value of their civil products to 1.2 billion yuan, an increase of 27 percent over 1985. Town and township collective industry is an important component part of our city's industry. We should conscientiously implement the policy on the collective economy. In accordance with the peculiarity of the collective economy, we should support the development of the second light industry, neighborhood industry, and other collective industry.

We should truly strengthen the command system of production and meticulously organize and guide production. At present our emphasis should be placed on the balanced supply of energy, funds, and raw materials in order to meet the demands of production. Financial and banking departments should firmly grasp the problem of defaults in payment made by enterprises. They should do well the work of raising funds and smoothing out the channels of capital circulation, and help enterprises solve their practical difficulties. We should persist in using electricity rationally and in a planned way, and in economizing on it. Electric power departments should fully tap their potential and strive to generate and supply more electricity. The first generating unit of the expansion project of the Chongqing Power Plant should go into production and generate power by 1 July of this year so that the tense situation in power supply can be eased. The supplies of energy, funds, and raw materials should be based on the marketability of products and economic results so that the comprehensive economic results of the whole city can be enhanced. All enterprises should speed up the readjustment of product mix, increase the output of marketable products, do well in the sales of products, use less funds, accelerate capital turnover, enhance the use rate of funds, and make use of their limited funds in an effective and vivid way. We should firmly grasp the work of economizing on raw materials and fuel, and do everything possible to reduce their consumption. We should strive to reduce production costs and losses and increase profits. All trades and services should do well in production safety and prevent the occurrence of major accidents. Leading cadres at all levels should inspire their spirit, improve their workstyle, go right to the front line of production, and follow a down-to-earth manner to help enterprises solve practical problems occurring in production. A strict distinction must be made between normal contacts aimed at enlivening the economy and unhealthy trends in order to protect the enthusiasm of operators and professional workers. We should truly strengthen ideological, political work, and mobilize the broad masses of workers and staff members to carry out a socialist labor emulation campaign so that they work as the masters of their own enterprises, overcome various difficulties, do everything possible to accomplish this year's production tasks, and make greater contributions to socialist modernization.

C. We should continue to enliven commodity circulation, and further make urban and rural economy prosperous.

Enlivening commodity circulation is an important aspect in giving play to the multifunctional role of a key city. We should continue to open up various channels of circulation, explore new commercial methods, and develop lateral econmic links. We should make efforts to open up the market and expand the service and the scope of consumption field in order to promote the development of urban and rural economy. This year the total sales volume of social commodities of the city should increase by 12 percent over last year. Net purchase and sales volume of state-operated commercial units and supply and marketing cooperatives should respectively increase by 4 percent and 5 percent over last year.

In recent years our city has achieved marked results in reforming its circulation system. A multichannel and multilayered circulation network, which links urban areas with rural areas, has been initially formed. On the basis of achievements we made in the past, we should continue to enliven commodity circulation with the emphasis on opening up new circulation channels and developing new commercial forms so that a new breakthrough will be made in the reform of the circulation field. In accordance with the objective law governing commodity circulation and the principle of fostering strengths and circumventing weaknesses, voluntary participation and mutual benefit, and common development, we should conduct experiments in developing commercial forms of combining industry with commerce with the emphasis on the cooperation between enterprises and their joint operation. We should also develop on a trial basis transdepartmental industrial and commercial groups based on main products, transregional commercial institutions based on joint operations, and retail enterprises based on cooperation between commercial units in order to promote the profound development of economic cooperation in commerce. We should continue to run well various kinds of trading centers so that they will constantly be consolidated and developed. Commercial departments should adopt of marketable products, do well in the sales of products, use less funds, accelerate capital turnover, enhance the use rate of funds, and make use of their limited funds in an effective and vivid way. We should firmly grasp the work of economizing on raw materials and fuel, and do everything possible to reduce their consumption. We should strive to reduce production costs and losses and increase profits. All trades and services should do well in production safety and prevent the occurrence of major accidents. Leading cadres at all levels should inspire their spirit, improve their workstyle, go right to the front line of production, and follow a down-to-earth manner to help enterprises solve practical problems occurring in production. A strict distinction must be made between normal contacts aimed at enlivening the economy and unhealthy trends in order to protect the enthusiasm of operators and professional workers. We should truly strengthen ideological, political work, and mobilize the broad masses of workers and staff members to carry out a socialist labor emulation campaign so that they work as the masters of their own enterprises, overcome various difficulties, do everything possible to accomplish this year's production tasks, and make greater contributions to socialist modernization.

C. We should continue to enliven commodity circulation, and further make urban and rural economy prosperous.

Enlivening commodity circulation is an important aspect in giving play to the multifunctional role of a key city. We should continue to open up various channels of circulation, explore new commercial methods, and develop lateral econmic links. We should make efforts to open up the market and expand the service and the scope of consumption field in order to promote the development of urban and rural economy. This year the total sales volume of social commodities of the city should increase by 12 percent over last year. Net purchase and sales volume of state-operated commercial units and supply and marketing cooperatives should respectively increase by 4 percent and 5 percent over last year.

In recent years our city has achieved marked results in reforming its circulation system. A multichannel and multilayered circulation network, which links urban areas with rural areas, has been initially formed. On the basis of achievements we made in the past, we should continue to enliven commodity circulation with the emphasis on opening up new circulation channels and developing new commercial forms so that a new breakthrough will be made in the reform of the circulation field. In accordance with the objective law governing commodity circulation and the principle of fostering strengths and circumventing weaknesses, voluntary participation and mutual benefit, and common development, we should conduct experiments in developing commercial forms of combining industry with commerce with the emphasis on the cooperation between enterprises and their joint operation. We should also develop on a trial basis transdepartmental industrial and commercial groups based on main products, transregional commercial institutions based on joint operations, and retail enterprises based on cooperation between commercial units in order to promote the profound development of economic cooperation in commerce. We should continue to run well various kinds of trading centers so that they will constantly be consolidated and developed. Commercial departments should adopt a notion of serving production, whereas production enterprises should have a concept of the market. They should make concerted efforts to smooth out relations between production and sales, between production and marketing channels, adopt various effective forms, open up market for local products, and strengthen multifunctional role of our key city.

We should give full play to the leading role of state-operated commercial institutions and truly do well in arranging the urban and rural market. State-operated commercial institutions and supply and marketing cooperatives should give play to their role as main channels under the new circulation system, take the initiative to participate in the market mechanism, and do well in making balanced arrangements for goods supply in peak periods and slack seasons and in helping supply each area's needs. We should exercise control over commodity prices on market and pay attention to the supply of main non-staple food which will affect the general situation of the market.

State-operated commercial institutions should retain a certain percentage of the market sales of main non-staple foods such as vegetables, meat, eggs and so on. Market sales of about 50 percent of pork and 30 percent of vegetables should be handled by state-operated enterprises so that market supply can be guaranteed. We should do well in sending industrial goods to the rural area. Industrial goods which are needed by both urban and rural areas should, first of all, be sent to the rural area. In particular, we should do well in ensuring the supply of oil, and the means of agricultural production such as chemical fertilizers, farm chemicals, medium and small farm tools, and so on. The supply of these goods should not miss any farming season. We should adopt measures to increase the supply of small commodities and daily necessities needed by the people in their daily life in order to suit the needs of the masses. Commercial business units at all levels should attach primary importance to the improvement of service and the enhancement of service quality. These should be regarded as the main objective of the business of these enterprises. We should standardize and regularize civilized commercial activities, strengthen market control, and safeguard market order. We should resolutely ban the sale of imitations and inferior quality commodities and illegal activities which harm the interests of consumers such as deception, driving up prices, passing off sham as genuine, manipulating weight, tied sales of commodities, and so on.

We should speed up the establishment of commercial service networks and urban and rural fairs. This year it is planned to increase the number of commercial service outlets in the city by 500, with the emphasis on solving the difficulties of the masses in the newly developed and sparsely populated areas in buying coal, grain, and meat. We should firmly grasp the building of urban and rural fairs. The newly built market, which will have sheds, will cover an area of 50,000 square meters, and the newly established fair will cover an area of 80,000 square meters. We will establish seven agricultural and sideline product wholesale markets in the suburbs, and actively develop a large agricultural trading market in Guanyinqiao located on the north bank of the river. We should grasp the building of commercial facilities, and complete, within this year, the Chongqing department store reconstruction project and the second-phase of the Shangqiao fruit storehouse project. We should firmly grasp the project of Nanping building for industrial goods trading center, and make efforts to expand the service functions of our city.

D. We should vigorously develop products for export, and make efforts to accomplish tasks in foreign trade.

Developing economic and trade relations with foreign countries and enhancing our capability to earn more foreign exchange by expanding exports is an important aspect of fulfilling our national economic plan. Only by promoting foreign trade and exports can we have more room for economic development. Therefore, we should take the development of economic and trade relations with foreign countries as a key link in our city's economic work. We should strive to fulfill this year's export quota of $120 million, an increase of 20 percent over 1985. We should further improve the foreign trade system, and carry out more effective integration between production and sales, between industry and trade, and between technology and trade. We should make efforts to improve product quality, rationally readjust the product mix, actively improve production arrangements, and develop new products which are competitive on international markets. We should also establish stable export commodity bases, open up sales channels, improve services, and enhance economic results.

The key to success in developing our city's foreign trade lies in producing new products for export and in enhancing the competitiveness of our existing commodities. Silk is one of our main export commodities. In accordance with market demand, we should make great efforts to change the product mix of our silk for export, and develop the export of pure silk products. We should import, as early as possible, advanced technology and facilities for after-treatment of silk in order to enhance our finishing capability. We should establish silk export bases which can meet the demands of the international market, and manufacture products in small batches of various varieties, designs, and colors. These bases will have a strong capability to meet the demands of the changing situation. We should give play to our city's strong points in machinery, and vigorously expand the export of electromechanical products so that they will become our city's key export products in foreign trade. We should strive to increase considerably foreign exchange earned from the export of electromechanical products. We should make full use of our city's abundant resources in agricultural and sideline products, local products, and livestock products. We should develop the export of agricultural and sideline products, and gradually establish export bases for agricultural products, local products, and small commodities of township and town enterprises. We should improve the quality of tea for export, expand the production of feather and down products, establish a supply system of oranges and tangerines for export, and export more frozen pork. In the meantime, we should do well in the transportation of export commodities, expand economic and technical cooperation with foreign countries and the export of labor, make active use of foreign capital, import advanced technology, and establish Sino-foreign joint venture enterprises, so that our city will achieve greater development in its economic and trade relations with foreign countries.

We should try in every possible way to open up international markets. On the basis of expanding the existing sales markets, we should make efforts to increase exports to developed nations. We should assign an important position to the opening up of markets in Latin American, African, and Gulf countries. We should continue to develop trade with the Soviet Union and Eastern Europe, and set up a diversified export system.

We should effectively implement the relevant policies of encouraging exports and change the idea that more profits are earned through domestic sales than from exports. We should encourage enterprises to produce more high quality products for export, and enterprises engaged in foreign trade to promote sales and earn more foreign exchange. We should conscientiously implement the policies and stipulations laid down by the State Council on drawback from export products, retention of foreign exchange, retention of 70 percent profits for enterprises concerned and 30 percent for the state in case of overfulfillment of quotas, reducing deficits, increasing profits, and rewards for export based on quotas set last year. In the meantime, we should implement the stipulations on "five priorities" with regard to export products. We should selectively speed up, in a planned way, technical reform of enterprises responsible for manufacturing export products. First priority should be given to them in terms of formulation of plans, use of foreign exchange, money supply in renminbi, transportation, and the supply of fuel. Through encouragement and support given to enterprises responsible for manufacturing products for export, we should enable staff members and workers who are engaged in earning more foreign exchange to gain more practical benefits. We should let more high quality products compete on the international market so that they will make more contribution to the economic development of our city.

/2. It is necessary to consolidate and expand the results of the reform and actively carry out new exploration in the reform./

The present situation in the reform is excellent, with the economic operational mechanism and the economic administrative structure undergoing a series of profound changes. One of the basic characteristics of the present economic structure is the coexistence of both the old and new structures. Having a correct understanding of the new circumstances and solving new problems emerging as the new structure replaces the old one are the key to ensuring the constance development of the reform in our city. We must implement in a down-to-earth manner the principle "consolidation, digestion, replenishment, and improvement" based on the achievements we have made in the past 3 years of reform, conscientiously sum up experience, promote what is beneficial and abolish what is harmful, actively carry out new exploration in the reform, and make preparations for bigger strides in the coordinating reforms to be introduced in the next 2 years.

A. It is necessary to vigorously promote lateral economic association. Lateral economic association is an objective necessity for the development of a planned commodity economy and a natural trend of socialized mass production. Various forms of economic association have developed to a certain degree in the reform of the economic structure in our city. At present, it is necessary to promote economic association and cooperation at multiple levels and in various forms among enterprises, between town and countryside, between departments, and between different areas, in accordance with the stipulation laid down by the State Council on the further enhancement of lateral economic association.

The association of enterprises is the basis and key link of lateral economic association. We must vigorously develop a wide range of ties, rather than a single form of ties, between raw material production and processing enterprises, between military and civilian industrial enterprises, between enterprises in towns and in the countryside, between productive enterprises on the one hand and scientific research institutes, colleges, and universities on the other, and among industrial, agricultural, and commercial enterprises. We must develop enterprise combines or groups of enterprises with large- and medium-sized enterprises as the backbone and with key products and name-brand products as the key link, and develop land, water, and air coordinated transportation and its management, with a view to establishing new types of combined economic organizations. We must actively develop city-run as well as district- and county-run enterprises, and thus gradually shape a unified urban and rural economic and technological network. We must respect enterprises' decisionmaking power in promoting lateral economic association, enthusiastically support, guide, and promote development of economic association between enterprises, and protect the interests of all parties involved from being infringed upon by means of policies and legislation.

It is necessary to further promote regional economic association and cooperation, continue to strengthen the extensive cooperation among Sichuan Province, Quizhou Province, Yunnan Province, Guapxxw Autonomous Region, and Chongqing City, and strive to make new progress in building cooperation projects based on the principle of mutual benefit. It is necessary to actively implement the strategy on economic development of the Chang Jiang valley put forth by the Economic Coordination Council for key cities along the Chang Jiang to expand the scope of cooperation, and thus promote the economic development of the Chang Jiang valley. At the same time, it is necessary to vigorously develop our city's economic ties and cooperation with other parts of the country, especially with coastal areas, to expand economic cooperation with its neighboring areas within the province, and to ensure that the appropriate departments will do a good job in providing assistance to their counterparts in other areas. We must try our best to make sure that all signed agreements on cooperation projects will be implemented and will score good results.

B. It is necessary to further invigorate enterprises, especially large- and medium-sized enterprises. We must resolutely implement the decision and regulations promulgated by the CPC Central Committee and the State Council on the expansion of enterprises' decisionmaking power, conscientiously practice the system of separation between government administration and enterprise management, streamline the administrative setup, and delegate the appropriate power to enterprises. Those departments in charge must continue to have their roles changed, that is, reducing the scope of direct control while strengthening indirect control, thus assuming their major duties of overall planning, coordination, service, and supervision. We must practice the method of giving specific guidance according to different circumstances in different enterprises, devoting special efforts to helping invigorate those large- and medium-sized enterprises which turn over to the state at least 5 million yuan of taxes and profits 2 year and those enterprises with greater potential for earning foreign exchange through export. As for those well-operated, large- and medium-sized enterprises which make greater contributions but retain less profits, it is necessary to appropriately reduce the rate of regulatory taxes imposed on them and, in addition, raise the equipment depreciation rate for some of them which can afford a higher depreciation rate, so that the funds derived therefrom can be used to initiate technological transformation. It is necessary to reduce the unreasonable economic burden on enterprises, and sort out and terminate all unreasonable charges. It is necessary to try out the unified pension system in enterprises under ownership by the whole people and the collective enterprises under the jurisdiction of the second Ministry of Light Industry, and to try out the bankruptcy regulations in the latter. It is necessary to carry on the exploration in the reform of economic modes and management forms and to invigorate state-owned small-sized enterprises by means of contracted management, leasing and transfer of possession.

In the final analysis, in order to invigorate enterprises, our guiding ideology must keep in line with the needs of the development of socialist commodity economy; the old concept and old practice that the state is to set production quotas, distribute raw materials, and assume full responsibility for the marketing of goods must be changed; and the new concept that enterprises operate on their own and assume full responsibility for profits and losses must be adopted. All enterprises must focus their attention on their internal management, carry out their internal reform in depth, strengthen enterprise management and administration, and improve enterprise quality and economic results. It is necessary to reform the enterprises' leadership system, steadfastly enforce the plant director (manager) responsibility system in accordance with the relevant decision adopted by the State Council, and straighten out the working relations between the party committee, the executive authorities, and the trade union. It is necessary to further improve the various forms of economic responsibility system currently practiced in enterprises so as to bring the initiative of the enterprises and the staff into full play and run the enterprises more efficiently.

C. It is necessary to actively launch the pilot reform of the financial structure and to perfect the marketing system step by step. The reform of the financial structure and the exploration of the money market are the basic conditions for development of the commodity economy and the lateral economic association. Our city is one of the five cities selected by the state to launch the pilot project of financial reform. In taking the improvement of financial regulation, the strengthening of lateral circulation of funds, and the modernization of operation of specialized banks as the key links, we must introduce a reform of the financial structure, and give full play to the bank's role in raising funds, circulating funds, guiding the flow of funds, and regulating social needs. It is necessary to develop inter-bank fund circulation and loan granting services by various means among the banks and financial organizations in our city and among the banks and financial organizations of our city and other large- and medium-sized cities throughout the country. It is necessary to effect the direct circulation of funds between enterprises in different areas and between the enterprise and the individual, by various means of credit, such as bonds, stocks, commercial instruments, and so on. It is necessary to promote savings deposits in urban and rural areas and to develop various forms of savings deposit service to pool funds from all walks of life. It is necessary to set up funds for development of education, science and technology, and public facilities. It is necessary to continue to strengthen control over the use of extra-budgetary funds and to ensure funds are circulating in a reasonable way. It is necessary to establish some local financial organizations and to develop credit cooperatives, credit service organizations, and financial mutual-aid organizations for specific trades and groups of enterprises in urban areas in an organized way, so as to gradually build up a financial system under which various types of financial organizations coexist, play their own roles, and cooperate with each other, with specialized banks as their main body and the People's Bank as the key link. It is necessary to modify the interest calculating method for loans in cash, to improve the utility of funds, and to make the best use of our limited funds, so as to ensure that funds are used rationally and effectively.

It is necessary to improve and develop the socialist commodity market. It is necessary to further enliven the consumer goods market, to consolidate and improve various types of trade centers, to develop wholesale markets for agricultural and sideline products, and to expand the direct circulation of commodities between different [?]. It is necessary to consolidate and actively develop the market of production means, to establish the market of steel products, and to improve various types of commodities trade centers. It is necessary to further develop the civil engineering market, the technology market, and the labor service market and to strengthen administration over the markets, with a view to gradually building up a socialist market system and market administrative system and expediting the development of the commodity economy.

D. It is necessary to strengthen and improve macroeconomic control and to promote a benign cycle of economic operation. It is necessary to keep the scale of investment in fixed assets under strict control--all projects must be covered by the overall plan, nobody is allowed to start any construction projects beyond the plan, new projects are subject to strict control, and the scale of investment in fixed assets in our city for this year must definitely be kept within the quota set by the state plan. It is necessary to further strengthen the planned control over the consumption fund and to prevent it from increasing. While keeping the scale of credit under control, we still have to extend loans on a selective basis to those enterprises with greater potential, so as to ensure the provision of funds which are to be used to finance economic development and the procurement of agricultural and sideline products set by the state plan. We must avoid handling all cases indiscriminately. It is necessary to further reform the planning structure and to gradually shift the focal point of the planning work to the manipulation of economic policies and such economic levers as pricing, taxation, credit, interest rates, exchange rate, and wages, in the hope of perfecting the indirect control mechanism step by step and ensuring the normal operation of the city's economy.

E. It is necessary to do a good job in consolidating the reform of the pricing and wage system. As far as the reform of the pricing system is concerned, it is necessary to consolidate the results of the reform, to supplement and improve the reformatory measures that have been set forth, to straighten up various economic relations emerging after the price reform concerning grain, vegetables, and pork was introduced; to strengthen control over commodity prices, to readjust in a controlled way the prices of a small number of commodities which obviously do not match with their real value; and to maintain a generally stable overall retails commodity price level in the market. With regard to the reform of the wage system, it is necessary to solve step by step those conspicuous problems that remain unsolved in government organs and nonproductive service units after the reform of the wage system, in accordance with the relevant policies laid down by the state. It is necessary to further the study and improvement of the wage and bonus issuance procedure for enterprises and to develop the distribution system of enterprises. At the same time, it is necessary to strengthen propaganda and education, to improve our political and ideological work, and to prevent and overcome the malpractice of blindly demanding pay and bonus raises.

Our practice in the past 3 years has shown that the reform is a large-scale, arduous, and complicated systems engineering project. Various objective and subjective factors determine that our reform is bound to be a long process which will advance gradually in due order. The contradictions between the new and old structures are inevitable in the course of the reform. Our leading cadres at all levels must be fully aware of the arduous and complicated nature of the reform, carry forward the pioneering spirit in actively making explorations and blazing new trails, work meticulously, and steadfastly toward the reform. They should never halt, still less take the road back. We surely must strengthen leadership, carefully plan our action, constantly sum up experience in practice, actively resolve all problems emerging in the course when the new structure is replacing the old one, steadily add to the results of the reform, and thus ensure that the reform will develop along the right track.

/3. It is necessary to step up urban construction and strengthen urban administration with the focus on transportation and water supply./

The standard of urban construction and the second operation of comprehensive urban services have a bearing on both economic development and upgrading the people's livelihood, as well as on the opening up process and attraction of a city. The sound operation of comprehensive urban services, in turn, depends on the scale and standard of a city's infrastructure and public facilities. At present, in order to create a favorable social environment for economic construction, urban and rural reform, and the process of opening up to the outside world, we must step up urban construction and strengthen urban administration with the focus on transportation and water supply.

It is necessary to further intensify road construction and improve transport facilities. It is necessary to speed up the construction of ongoing urban facility projects so that the investments can yield profits soon. We must speed up the Xiangyang No. 2 Tunnel winding up project, in the hope that the tunnel will be put into operation ahead of schedule by 1 July, so that traffic jams at the Shangqing Temple, Lianglukou, and Caiyuanba districts will be further eased. The Jiangbei Civil Aviation Airport currently under construction is a big and high-standard project scheduled to be completed within a short period. In order to launch the project in full swing next year, we must concentrate our resources to complete the site leveling and fulling work this year. Since the Jialingjiang Shimen bridge construction has been under way, the building has been going on fast on schedule. It is necessary to ensure the construction in funds, materials, equipment, and labor forces, and to further strengthen the organization, conducting, and management in construction. All relevant departments and units should do a good job in coordination and cooperation and guarantee that seven piers and two abutments be completed within this year in order to lay a good foundation to complete the project ahead of schedule. The Chang Jiang passenger ropeway is an air passage linking the city downtown district with the south bank district, and this project should be grasped firmly, so that its completion and opening to use in 1987 may be guaranteed. Road maintenance should be strengthened: the repair of some trunk roads in the city should be completed according to plan to improve the road conditions. We shall continue to increase the capacity of public communications in the city and strengthen the construction of installations to form a complete set in a down-to-earth way. In 1986, 140 buses and trolleys will be increased and renovated, and 3 bus lines will be readjusted and lengthened. In order to gradually resolve the traffic jam and bad effects on the appearance of the city resulting from the arbitrary parking of public vehicles along the streets, a parking lot is to be built at Daxigou, Siweiqiao this year. And we should step up the construction of the Jiangbei car maintenance and parking lot to guarantee its partial completion and putting into use in 1987. We should continue to build pedestrian flyovers and tunnels step by step in a planned way, and further implement the division of vehicles and pedestrian passages. The pedestrian flyovers at the junction of Jiankang Road and Zhongshan Branch Road will be completed this year, and construction of the Shapingba pedestrian tunnel will be under way this year. It is necessary to do a good job in both road construction and traffic control in relieving the pressure of urban communication. We should further strengthen traffic control and ensure free passage in such districts as Lianglukou, Daping, Shiqiaopu, Xinqiao, and Huaxinjie, where circular and one-way traffic has already been implemented.

We shall take a firm grasp of the building of waterworks and raise the capacity of water supply in the urban areas. We must ensure that the Huangjiaodu waterworks be put into production on "1 July," with a daily water supply capacity of 30,000 tons and increasing to 100,000 tons by the end of the year. We shall step up transforming the Jiangbei waterworks, increasing the daily water supply capacity to 15,000 tons within this year. Water pipes will be laid between Tanjiagang and Tianba, and the water supply condition will be improved in the Zhongliangshan district. Water supply pipelines will be renovated between Daxigou and the hind gates of the Cultural Palace, with the problem pipelines eliminated and normal water supply guaranteed. We must take a firm grasp of the early-stage preparations for the project of expanding the Jiulongpo waterworks. Three small-type waterworks will be newly built or transformed in Changshengqiaozhen of Bashan, Wujiazhen of Rongchang, and Songgaizhen of Yongchuan, in order to improve the water supply capacity of counties and towns and the condition of drinking water. We shall continue to push forward the socialization of water supply installations, and further do a good job in joining the city public waterworks with the water supply owned by social units to shape them into a network in order to increase the capacity of water supply in the city.

We shall continue to grasp well the building of residence houses, in order to gradually improve the housing condition of the citizens. In 1986, new living quarters with floor space 1 million sq.m. will be completed, of which between 300,000 and 350,000 sq.m. are built in the urban areas. We must step up the pace of transforming dangerous houses, and take precautions against the collapse of buildings and casualties in accidents. We shall complete the construction tasks of the development areas in Daping, Nanping, and Yaoziqiu on the north bank of the river according to schedule. We must step up the pace in transforming the old city area and continue to do a good job in transforming the 14 areas or spots such as Chaotianmen, Guihuayuan, Luojiayuan, and Xiangshuiqiao, and gradually build our commercial, service, and cultural centers with mountain city characteristics.

We should strengthen environmental protection and tackle environmental problems in a comprehensive way. We should continue to implement resolutions adopted by the city people's congress. We should further strengthen the work of bringing waste gas, noise, smoke, and polluted water under control. We should continue to promote construction in the smoke-free central area, Guanyinqiao, and Nanping. The 12 newly-built environmental monitoring stations should go into operation this year. We should eliminate a number of contaminated sources and places, and complete the work of handling polluted water in county-level hospitals. We should speed up the project of building garbage disposal center, and do well in completing the first phase of projects of a polluted water disposal center and bringing Taohuaxi under control. We should supply more gas to residents and strive to increase the number of households that get gas supply by 50,000 in order to reduce air pollution, and improve environmental and public health of our city. While bringing dirt under control, we should plant grass widely and cover exposed land with vegetation. This year we will rebuild dirt roads in the city proper covering an area of 100,000 square meters. The newly-built Tongjiaqiao car washing garage will go into operation soon. We should also strengthen control over construction sites to reduce dust pollution.

We should strengthen afforestation and the building of gardens and parks, actively develop tourism, and carry out the all-people activities of planting trees. This year, 1 million trees will be planted throughout the city, and 20 small parks and green spots will be built. We should start the projects of rebuilding panda houses in the zoo and afforestation in the scenic spot of the Northern Hot Spring Park. We should speed up construction in the scenic spots of Nanquan, Nanshan, Nanping, Geleshan, Northern Hot Spring, Jinyunshan, Diaoyucheng, and Tongjing. Chongqing is a city with long history and many revolutionary memorial spots. The natural scenery of the mountains, waters, forest, springs, caves, and gorges around the city is very beautiful. In addition, there is Dazu carved stone, which is famous both at home and abroad. We should fully make use of these tourist resources, improve service quality in tourism, and accelerate development of tourism in our city.

City planning and city construction are a base for city management. To do well in city construction and management, we should, first of all, do well in city planning. With the development of our economy and society, it is necessary to readjust and supplement partially our overall city planning.

This year we will work out development plans for 7 districts in our city and formulate detailed plans for setting up 60 rural fairs. City planning should be formulated on more scientific bases, and our level of working out comprehensive planning should be enhanced. Our city planning should be serious, and our city management should be highly unified. Our construction should be carried out strictly according to the plan. The reform of the central district of our city should be fully carried out in a planned way. We should increase transportation, commercial, service, financial, cultural, and public facilities and space for planting trees. It is strictly forbidden to make use of every bit of space to build dwelling houses arbitrarily. We should readjust the layout of highway network with emphasis on city transportation. We should work out well plans for rebuilding main roads and intersections as early as possible. We should firmly grasp the work of working out short-term plans for city construction. We should continue to strengthen the construction in small towns to promote rural economic and cultural development.

We should constantly strengthen city management, improve the city management system, further straighten out various work relationships so that we will have an authoritative command system, and work out a full set of management rules and regulations. We should organize a high quality contingent of city management worker and law enforcement personnel. We should urge various quarters of society to strictly enforce city management rules and regulations in order to cooperate well in the work of city management. District governments should firmly and effectively grasp the work of city management and treat it as a main task. Comprehensive management work should be carried out in key districts. We should extensively promote patriotic health campaign, do well in beautifying city appearance, and create a good working and living environment. We should make efforts to build our city into a civilized, clean and beautiful city.

/4. Strengthening the building of spiritual civilization in a big way, developing science and technology, cultural, educational, and public health undertakings./

Strengthening the building of spiritual civilization in a big way while strengthening the building of material civilization is a long-term strategic guideline. In strengthening the building of spiritual civilization, it is necessary to step up the pace in the development of various cultural undertakings such as education, science, literature, and art on the one hand; on the other, it is necessary to strengthen ideological construction. Only by strengthening the building of spiritual cultural education in order to pave the way for developing social productive forces and the new economic system, will it be possible to ensure the healthy development of economic construction and all other construction undertakings.

At present, special attention should be attached to reinforcing ideological and political work. Economic work will go awry if ideological and political work is relaxed or weakened. Ideological and political work should suit the new situation of reforms, opening up, and invigorating the domestic economy. We should improve its work contents and create new forms and methods in order to upgrade the level of ideological and political work. It is necessary to closely link ideological and political work with practice, to adhere to carrying education in the situation and the four cardinal principles among the cadres and masses, as well as the education in patriotism and collectivism, in order to establish the lofty ideals of communism. We chould resolutely resist erosion by decadent bourgeois ideas, lifestyle, and the ideas of bourgeois liberalization, and oppose all ideas and behavior of "looking forward to money in everything" and benefiting oneself at the expense of the state. All trades and professions should do a good job in ideological and political work, unfold education in serving the people heart and soul, set good professional ethics, and observe professional discipline. We should commend and propagate in a big way the heroic and exemplary deeds of advanced figures and collectives on all fronts. We should create civilized units, neighborhoods, villages, and 5-good families. The activities of building spiritual civilization with the joint efforts of the army and the poeple should be further unfolded, and the unity between the people and the army should be strengthened. Education in the legal system should be carried out on a wide scale, and knowledge of the law should be spread, in order to heighten the consciousness of the cadres and masses in observing the law and discipline. At the same time, we should deal quick and heavy blows at serious criminal offences and economic cases according to the law, and resolutely prohibit and check all kinds of ugly social phenomena and feudal superstition. We should further implement all measures for the comprehensive treatment of social order, and strive for a marked turn for the better in social atmosphere and social order.

It is imperative to continue to push forward the structural reform in science and technology, to strengthen research on applied science and technology. A number of high-quality research results should be presented to serve economic construction and social development. In 1986, we shall unfold 100 key projects in the development of scientific research and technological development and complete 150 projects of important scientific research and technological development with good results. We should earnestly implement the "sparks" project, sending science and technology to enterprises in towns and townships. The method of undertaking fund allotment to scientific research units will be improved, and the responsibility system with scientific research project and the responsibility system of director of scientific research unit made complete and perfect. We should continue to explore the experience of carrying out the structural reform in science and technology in depth, strengthen the spread and application of science and technology results, work hard to open up the technology market, unfold multiform and multitier activities in technology trade, and establish 70 scientific research and production combination entities. We should continue to grasp firmly the construction of the city technology development exchange center project, and strive to have part of it completed and put to use. We shall establish the city data base of outstanding talent, and conduct experiments on inviting talent to specialized professional posts in scientific research, tertiary education, and public health units. We shall strengthen the legal system in science and technology, and draw up the measures and regulations for the control of science and technology results, key scientific research projects, technology market, and scientific research-production combination entities, in order to push forward the healthy development of science and technology undertakings.

It is imperative to grasp education firmly in building socialist spiritual civilization, and to start from upgrading the basic qualities of the nation. It is necessary to study and propagate the "Law of Compulsory Education" and to actively implement the 9-year compulsory education system. The principle of all-round moral, intellectual, physical, and aesthetic development should be implemented in earnest, and the guiding ideas of running schools should be further set right. Teaching methods should be reformed, and efforts should be exerted to upgrade the quality of education. And education in labor should be appropriately strengthened based on each's own characteristics. We should continue to firmly grasp the structural reform of secondary education; the ratio between the number of students enrolled in intermediate vocational schools and technical schools and that in ordinary senior middle schools should be 1:1.22. Both intermediate vocational schools and technical schools should enroll graduates of junior middle schools, and the system of junior middle school graduates undergoing training in different trades should be initially set up. It is necessary to develop tertiary and adult education. The Yuzhou University, the City Broadcasting and Television University, and the Workers and Staff University will enroll 5,400 new students this year. The number of students in vocational schools and senior middle schools for workers and staff will exceed 30,000. We should continue to do a good job in education for the peasants, and actively develop nursery and kindergarten undertakings. Teachers schools and the training of teachers should be strengthened in order to build up a contingent of teachers suitable for our educational undertakings. In 1986, three teacher-training centers for junior middle schools, primary schools, and preschool education will be set up on the basis of the existing teacher-training bases; new development in teacher-training for junior middle schools is required in particular. At the same time, it is necessary to strengthen the further education of teachers on their posts. The number of teachers on their posts in middle and primary schools as well as nurseries and kindergartens undergoing systematic further education will be 12,000. It is necessary to develop all cultural undertakings such as literature and art, radio and television broadcasting, press and publication, books, and historical relics; and it is necessary to bring into full play the important role of cultural departments in the building of spiritual civilization. Cultural departments and cultural workers should adhere to the orientation of serving the people and socialism. They should put social benefits above all else, and work hard to upgrade the political ideological level and artistic quality of their works, in order to provide the people with more and better spiritual products and to enrich people's cultural life. All literature and art organizations should spend at least 3 months of the year going down to the rural areas, factories, and army units to give performances and to experience life there. We should widely unfold mass cultural activities, consolidate, and make complete and perfect the 3-level cultural networks of the city, district-county, and neighborhood-townships. News and publication undertakings should be developed, the building of radio and television broadcasting undertakings should be strengthened, with the quality of propaganda upgraded, and the radio and television population coverage should be enlarged. Control over the cultural market should be reinforced, and cultural equipment should be gradually improved. We should do a good job in protecting historical relics and substantiate the exhibits of revolutionary historical relics in the Hongyan Revolutionary Memorial Museum and the Geleshan Revolutionary Martyrs Mauseoleum. The editing of local history is a basic work for the building of the two civilizations, and should speed up the schedule of its writing. It is necessary to strengthen the work concerning the keeping of records. We should continue to enrich the collections of museums, archives, and so on, and to do a good job in collecting and sorting out records, when actively supplying information in order to serve better the building of the two civilizations.

It is necessary to develop the public health undertakings in both urban and rural areas and to actively implement reform in medical care and public health. In 1986, another 700 hospital beds will be installed, in addition to 5,000 beds to be tended in patients' households. Two hospitals of traditional Chinese medicine are to be transformed and expanded, and the construction of the city first-aid center will be completed and put into use. The principle of taking prevention first in medical work, and linking Western medicine with traditional Chinese medicine, should continue to be implemented. Health care and epidemic prevention work should be made to continue to reduce the incidence of infectious diseases. Preference should be given to the elderly above 70 in medical treatment, and physical checkups will be given to half a million children under 7. Work in improving water quality in the rural areas should be strengthened; great efforts should be exerted to improve the condition of drinking water for the rural population of 440,000. We should do a good job in social welfare and social security work among the aged.

We should continue to do a good job in parenthood planning work, to advocate one child for a couple, and to strictly forbid giving birth to children outside the plan. We should control the natural growth rate of the city at 10.22 per thousand, and the planned parenthood rate over 95 percent.

We should actively unfold sports activities on a mass basis, and upgrade the health level of the people. The "national physical training standards" should be carried out at 80 percent of the city's schools, and sports associations should be set up in 50 percent of the enterprise system. We should work hard to improve the quality of training and upgrade the level of sports. We should strive for excellent records in national and provincial sport events. The building of sports installations will be strengthened. The first-stage project of Guangyangba Physical Training Center is to be completed, and the Datianwan Stadium is to be under repair.

/5. Changing the government function, improving the style of government organs./

With the structural reform in economy continuing to develop in depth, the function of government organs in economic management and the style of governments must undergo further changes. Basically speaking, such changes are an important component part of the structural reform in the economy as well as an important revolution in the socialist superstructure. The entity of government organ personnel at various levels must have full understanding of such a revolution, and self-consciously adapt themselves to, take an active part in, and push forward this revolution in a big way.

Based on the objective law governing the development of socialist commodity economy, enterprises should become genuine economic entities and relatively independent commodity producers and managers; the form of their economic ties should change from the administrative closure-type to the opening-type characteristic of the linking of horizontal and vertical ties with horizontal ties as the key; and the state's control over enterprises must change from direct control in the main to indirect control in the main. Therefore, it is imperative to break up the conventional practice of substituting the function of economic control with the function of administrative control, and to adopt a new way of managing economy with economic means in the main based on the inherent connections of the economy. The various government economic administrative departments should change from exerting their main efforts on the division of indexes, goods and materials, and funds and the approval of projects to doing a good job in macrocontrol, overall planning, mastering policies, organization and coordination, examination and supervision, and rendering services, in order to provide good external conditions for enlivening the enterprises. We should adapt to the trends of the great development of horizontal economic combination, enthusiastically support and help the enterprises genuinely emancipate themselves from the closure-type economic pattern in which departments and localities are separated in order to realize all-round economic and technical cooperation and to promote the development of socialist economy.

In order to meet the requirements of developing socialist planned commodity economy, we should resolutely implement the principle of "grasping construction on the one hand and grasping the legal system on the other," and gradually make perfect and complete the economic legal system, strengthen the legislature in economy, and to control and regulate economic operation chiefly relying on economic and legal means as well as necessary administrative means. With changes in administrative functions, it is necessary to intensify and to make complete and perfect the comprehensive economic administrative organs and economic examination and supervision organs and to strengthen the building of such administrative organs as planning, finance, taxation, auditing, statistics, prices, industrial and commercial administration, standardization, measurement, quality, inspection, and patent rights. We should continuously make complete and perfect and intensify economic supervision work, and work hard to build up a strict and efficient economic and technical supervision system. In order to establish an administrative control system that is explicit in its functions and duties, harmonious between its organs, flexible in operation, and highly efficient with a quick tempo, the city government has already organized a task force to conduct the design for organ structure. We must do our best to make standardized and scientific the establishment of organs, tasks, realms of functions and responsibilities, and the proceedings of affair-handling, based on earnest investigation and research, through meticulous analysis, repeated demonstration, and comparison in various aspects, and exert our efforts to improve the efficiency and quality in our work, in order to better serve the enterprises, the grassroots units, and the people.

In the course of the great changes of reforms, opening up, and invigorating the domestic economy personnel of government organs at all levels must correspondingly change their style in thinking and work as well as their work method, so that they may meet the requirements of the development in the situation as well as the four modernizations. We should ascertain that through party rectification, governmental organs at all levels have further recovered the party's truth-seeking ideological line, initially set upright the guiding ideas in their professional work, and make great improvement in the style of government organs. The personnel of government organs are doing their best to serve the people, being bold at reforms and devoted to their work; the mainstream is good. However, looking at the conditions discovered in the recent mass examinations of party rectification, many problems do exist in the style of government organs, some of which are rather serious. Liberalism in politics, bureaucratism in style, individualism in ideology, departmentalism in work, attaching importance to human relations rather than party spirit, relaxation in work, being lax in organization, low morality, dilatory style of work, low efficiency, and poor quality in work--these problems exist in some departments and units to various degrees. If they are not resolutely corrected, the prestige of governmental organs would be injured, the social atmosphere would be corrupted, and the development of the four modernizations would be impeded.

In improving the style of government organs, all departments of the city government should play an exemplary role in the whole city with a brand-new spiritual feature and excellent work style. It is imperative to strictly implement the series of stipulations of the Central Committee, the State Council, and the city CPC Committee and government, including the selection and appointment of cadres based on the party principle, resolutely putting a stop to touring at the expense of the state, and arbitrarily sending organizations and personnel abroad, simplifying the reception of leading cadres at various levels going out in their activities, and further checking party and government organs and cadres going in for business, in order to further set upright the party style and social atmosphere and to score rapid and marked results in correcting unhealthy tendencies. Leading cadres at all levels must change their style, further cutback meetings and the issuance of documents, make in-depth investigation and research at grassroots units, and strengthen the scientific basis of their decisionmaking. They should start everything from realities, tell the truth, do practical work, attach attention to practical effects, do work in a down-to-earth manner, and overcome formalism and bureaucratism of every description. Governments at all levels must strengthen socialist democracy and the socialist legal system and conscientiously accept the supervision of the people, people's delegates, and the people's congress as well as its standing committee. The governments should examine the implementation of the resolutions adopted by the people's congress, organize their implementation, and continuously improve government work. All departments should establish the concept of the whole situation, strengthen horizontal ties, and do a good job in coordination and cooperation, in order to form an environment of unity, harmony, mutual trust, and support. They should resolutely overcome departmentalism, do their best to make departmental interests subject to the interests of the whole, and make partial interests subject to those of the entity. They should strengthen their sense of organization and discipline; strictly observe party discipline and the law of the state; self-consciously safeguard the interests of the state and society; overcome liberalism, individualism, and small-group mentality; and become models in possessing lofty communist ideals and a strong sense of discipline. Good cadres who adhere to discipline, handle matters impartially, and resolutely resist unhealthy tendencies should be commended and encouraged, while those who have shortcomings and mistakes must be criticized and educated and given help in correcting their mistakes. Those gravely neglecting their duties, bending the law for the benefit of relatives or friends, or violating the law by committing corruption and accepting bribes must be severely dealt with according to the law. Government personnel at all levels should continue to bring forward the spirit of the foolish old man who moved the mountain by bearing hardships in carrying out bitter struggle, uniting to fight, and doing work in a down-to-earth manner. They should earnestly improve their work method and style, link closely with the masses, devote themselves to their work, be honest in performing their duties, and serve the people heart and soul.

Governments of all levels should actively support the army structural reform, streamlining and reorganization, and do a good job in transferring the people's militia departments to the jurisdiction of local governments. They should continue to do a good job of nationality work and strengthen nationality unity. The policies on religion must be implemented, and a good job must be done in the administration in religious affairs. The policies concerning overseas Chinese must be implemented, and the role of returned overseas Chinese and the dependents of overseas Chinese must be given play. We should strengthen work concerning foreign affairs, actively develop international ties and cooperation of all respects, and bring into play all positive factors in order to make greater contributions to rejuvenating Chongqing and the four modernizations.

Delegates!

The great targets of China's Seventh 5-Year Plan spread before us with inspiring bright prospects. The tasks on our shoulders are arduous as well as brilliant. We are firm in the belief that so long as we firmly go along the line since the 3d Plenum of the 11th Central Committee, the guiding ideas, construction principle, and planning for reform, defined by the Seventh 5-Year Plan, adhere to placing reform above all else, the principle of invigorating the domestic economy, and opening up to the world, and grasping simultaneously the two civilizations, when uniting in one heart and mind, being bold at exploration, and going all out to make progress, our target will certainly be realized, and Chongqing's all items of reform [?] undertakings will certainly create a new and better situation.

/9716
CSO: 4006/1194

QINGDAO TO FOCUS ON HUANGDAO DEVELOPMENT

OW160232 Beijing XINHUA in English 0037 GMT 16 Jul 86

[Text] Qingdao, July 16 (XINHUA)--Shandong Province's Qingdao City, one of China's 14 open coastal cities, will focus on developing its Huangdao Island District into an industrial zone in the next 5 years, a city official said here today.

Seven kilometers from Qingdao, Huangdao, with an area of 152 square kilometers, is sparsely populated and ideal for industrial development.

The city government decided to upgrade the existing industrial enterprises in the old urban district of Qingdao while developing new projects on the Huangdao District.

A total investment of two billion yuan will be spent on the infrastructure work on Huangdao Island between 1986-90, the official said.

Included are first construction phase of Qianwan Port, second phase of an oil wharf, a railway linking the district with Jiaoxian County where the railway between Qingdao and Jinan, capital of Shandong Province, passes through, the Huangdao power plant, which is being expanded, sea ferry between Qingdao and Huangdao and an economic and technical development zone.

According to the official, when the first construction phase of Qianwan Port, which covers six deepwater berths, and the second construction phase of the oil wharf are completed, Huangdao will have an annual handling capacity of 47 million tons.

The economic and technical development zone has concluded 63 agreements and letters of intent with foreign firms as a result of accelerating construction of infrastructure work.

So far, a 21-kilometer water pipe capable of supplying 20,000 tons of fresh water a day is almost completed at the zone; telephone and telex service links Qingdao and Huangdao and 2,000-line program-control telephone system is scheduled to go into operation late this year.

/9599
CSO: 4020/385

ECONOMIC PLANNING

SHANGHAI MAYOR DISCUSSES ECONOMIC TASKS

OW100755 Shanghai City Service in Mandarin 0000 GMT 3 Jul 86

[Text] The Shanghai Municipal People's Government sponsored a municipal cadres meeting at the municipal stadium yesterday afternoon to discuss Shanghai's economic projects for the next 6 months.

Addressing the meeting, Mayor Jiang Zemin said: Shanghai achieved fairly significant successes in various economic sectors during the first 6 months. The general economic situation was satisfactory. Industrial output during the January-May period topped that of the same period last year by 1.8 percent, and growth during the first 6 months was expected to reach 2 percent. This was achieved on the basis of last year's high growth of 12.8 percent. The output of major industrial goods shows that output of popular goods in great demand on the market all registered relatively big increases, thus stabilizing market supply and commodity prices as well as public sentiment. The volume of goods procured for foreign trade and the amount of foreign exchange earned from export all registered increases each month. The 15 projects, which are vital to the people's livelihood and are scheduled to be accomplished this year, have been progressing quite well. However, we must realize that Shanghai's economic development is still affected by many weak links. The main problem is our slow industrial growth.

In his speech, Mayor Jiang analyzed the causes of Shanghai's slow industrial growth this year. First of all, although the series of macroeconomic control measures adopted by the state have yielded relatively good results, they have created certain new situations in Shanghai's industrial production. Second, the output of certain types of goods has been readjusted to meet market needs. Third, capital shortage, strains in power supply, and changes in the supply of raw and semifinished raw materials early this year have created some problems. Furthermore, there are nonmaterialistic factors, such as problems in doing ideological work.

To boost industrial production during the latter half of the year, Mayor Jiang said that the work in the following areas must be done well: First, we must continue to do a good job in readjusting the types of goods to be produced. Resolute steps must be taken to phase out the production of unmarketable products, and there should be no more stockpiling of such products. On the other hand, we should organize more personnel to increase production of popular goods in short supply.

Second, we must take effective measures to improve the supply of energy and raw and semifinished materials. During the third quarter, which will be hot, we should pay special attention to production safety as well as energy and water supply so as to forestall any drastic changes.

Third, we must pay special attention to product quality. Enterprises which lack resources for production must be resolutely reorganized. Remedial measures, including setting a time limit for improvement, must be carried out one by one in order to upgrade those products whose quality has been deteriorating.

Fourth, efforts must be concentrated on completing our enterprises' renovation projects so that they can resume production as soon as possible.

Fifth, we must foster the concept of developing the commodity economy, and organize and launch economic programs in accordance with the characteristics and requirements of a commodity economy so that our enterprises will also be sellers of products and market developers instead of mere producers.

Mayor Jiang then commented on and set requirements for strictly controlling the size of construction projects, reforming the labor system, promoting the system under which factories are run by their directors or managers, expediting the reform of administrative wages [xing zheng xing gong zi], and ensuring a balance of expenditure and revenue this year, as well as ensuring market supply and providing proper guidance for consumption.

The meeting yesterday was chaired by Huang Ju, deputy secretary of the Shanghai Municipal CPC Committee.

Among those attending the meeting were Li Zhaoji, Liu Zhenyuan, and Ni Tianzeng, vice mayors of Shanghai; Wang Daohan, advisor to the Shanghai Municipal Government; Li Guohao, chairman of the Shanghai Municipal CPPCC Committee; and others.

/8309
CSO: 4006/1189

XINJIANG MEETING ARRANGES ECONOMIC WORK

HK110257 Urumqi Xinjiang Regional Service in Mandarin 0000 GMT 11 Jul 86

[Excerpts] A regional economics commission meeting on production held on the morning of 9 July stressed that the general guiding idea on Xinjiang's economic work in the second half of the year is, as before, to focus on improving economic results, persevere in reform, strengthen management, get a simultaneous grasp of production and circulation, and resolutely reverse the decline of product quality and the increase in input consumption.

The region's industrial output value in the first half of the year was 3.628 billion yuan, an increase of 9.24 percent over the same period last year. However, the plan for rate of progress was underfulfilled by over 300 million yuan. The quality of only 68.83 percent of products recorded steady improvement from January to May. This was lower than the rate for the same period last year and below the national average for the first quarter. Material input increased, some products are stockpiled, and economic results have declined.

Regional Government Vice Chairman Tuohuti Shabier demanded that all areas, departments, and enterprises seriously sum up industry and communications production in the first half of the year. The focus should be on the following five tasks from July onward:

1. Tangibly strengthen leadership over industry and communications production. All areas and departments must send effective cadres to work in the enterprises and help solve problems there.

2. Readjust the product mix and work hard to increase output of products that sell well and are needed in the markets.

3. Do better in linking production and sales, and simultaneously grasp production and circulation.

4. Further improve enterprise management, and reverse as soon as possible the situation of declining product quality and rising input consumption.

5. Do a good job in transport and communications and make good arrangements for the transport of oil, coal, cotton, salt, and foreign trade goods, and for raw materials and fuel needed by key enterprises. We must in particular do a good job in shipping out cucurbit and fruit.

/8309
CSO: 4006/1189

AGGREGATE ECONOMIC DATA

BRIEFS

NEI MONGGOL FIRST-HALF FIGURES—According to the figures released by the regional Statistical Bureau, Nei Monggol Autonomous Region realized 4.827 billion yuan in total industrial output value during the January-June period this year, a 7.97 percent increase over the figure for the corresponding 1985 period. The increase shown by the region in this regard surpassed that shown by the country. Of this output value, light industrial enterprises realized 2.032 billion yuan, a 14.26 percent increase over the figure for the corresponding 1985 period, and heavy industrial enterprises realized 2.795 billion yuan, a 3.81 percent increase over the figure for the corresponding 1985 period. The state industrial enterprises realized 3.989 billion yuan in total output value, a 7.18 percent increase over the figure for the corresponding 1985 period, and the collective-owned enterprises realized 837 million yuan, a 12.5 percent increase over the figure for the corresponding 1985 period. [Text] [Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 8 Jul 86 SK] /8309

CSO: 4006/1189

JIANGSU GOVERNOR'S REPORT ON SIXTH 5-YEAR PLAN PRESENTED

Nanjing XINHUA RIBAO in Chinese 23 Apr 86 p 1

[Article: "Our Province Continued to Maintain Trend of Flourishing Economic Development; Gu Xiulian Reviews Implementation of the Sixth 5-Year Plan in Report"]

[Text] In her report on the rough draft of Jiangsu Province's Seventh 5-Year Plan, Gu Xiulian [7357 4423 5571] has pointed out that during the Sixth 5-Year Plan, our province maintained a trend of flourishing economic development and achieved successes greater than anticipated, leading to profound changes in the entire economic and social outlook.

Sustained Growth in the National Economy: Total social output value in the province increased from 70.3 billion yuan in 1980 to 147.5 billion yuan in 1985, for an annual average growth rate of 15.5 percent, computed based on constant price. The GVIAO rose from 62.3 billion yuan to 126.9 billion yuan, for an average annual increase of 15.3 percent. The GNP grew from 32.2 billion yuan to 67.2 billion yuan, for an average annual growth of 15.9 percent. The national income increased from 27.3 billion yuan to 58 billion yuan, an average annual rise of 15.3 percent.

Overall Upsurge in the Rural Economy: Gross social output value in the province's rural areas grew from 27.4 billion yuan in 1980 to 77 billion in 1985, 1.8-fold increase, for an average annual growth rate of 23 percent. The upsurge in Jiangsu's rural economy was attained under conditions of stable growth. With population growing every year, a gradual reduction in the amount of cultivated land, and the beginning of a readjustment in the production structure, per capita grain provincewide exceeded 1,000 jin for 2 years in succession beginning in 1984. Also, the rapid development of rural industry has played a critical role in the overall upsurge of the rural economy.

Accelerated Industrial Development: The province's GVIO rose from 43.1 billion yuan in 1980 to 86.4 billion in 1985 (not including industry at or below the village level), for an average annual increase of 14.9 percent. During this period, the province resolved to greatly develop consumer goods production, alleviated shortages of commodities on the market, strengthened the energy and raw materials industries, expanded the scope of service of heavy industry, and focused on the development of new industries, with more than 1,500 lines being introduced and utilized in the electronic computer field. Fairly large developments were made in the fodder and packing industries as well.

Key Construction Projects Strengthened: During this time, state-run units throughout the province realized a total of 25.1 billion yuan in fixed-asset investment. Of these projects, 59 large and medium-sized projects were undertaken by the state, including the Yangzi ethylene plant, the Yizhengda Chemical Fiber Plant, the Zhenjiang Jianbi Electronics Plant, the Lianyungang Harbor, the Beijing-Hangzhou Canal, and seven other priority projects. More large- and medium-scale projects have been undertaken in this period than ever before since the establishment of the PRC.

Continued Expansion of Domestic and International Trade: Total retail commodity trade in the province increased from 15.4 billion yuan in 1980 to 30.7 billion in 1985, for a 14.9-percent-annual average rise. Both sales and purchases in urban and rural markets are thriving and shortages in certain commodities have been greatly relieved. Foreign trade continued to grow during this period, with total export volume increasing from $850 million to $1.55 billion, an annual average increase of 20.9 percent.

Marked Enhancement of Economic and Social Benefits: Average per capita income in the province increased from 461 yuan in 1980 to 937 yuan in 1985, a growth rate of 1.03-fold. The increased accumulation per 100 yuan grew from 20 to 48 yuan, for a 1.4-fold increase. Labor productivity rose from 998 to 1,806 yuan, an increase of 81.6 percent. Financial revenue grew from 6.24 billion yuan to 8.17 billion yuan, an increase of 40.6 percent.

Continued Development in Science, Education and Culture: Expenditures allocated by the province for science, education, culture, health, and sports rose from 679 million yuan in 1980 to more than 1.47 billion yuan in 1985, for an annual average increase of 16.7 percent. Science and technology showed remarkable success in serving the cause of economic construction, with positive results in more than 9,500 projects in 5 years. Fairly rapid progress was seen in education, also. The goal of the Sixth 5-Year Plan of making primary school education universal provincewide was basically attained and good results were achieved in the reform of the unitary structure of secondary education. Further development was seen in institutions of higher education, with the number of full-time undergraduate and graduate students increasing from 84,000-odd in 1980 to 119,000 in 1985. The numbers of students attending televised classes and in workers' universities accounted for 80.4 percent of all students attending institutions of higher education. New developments were also shown in news, publishing, broadcasting, films, television, and other cultural endeavors and in medicine and health and sports.

Remarkable Improvement in Living Standards: Average wages for urban and town employees in the province rose from 667 yuan in 1980 to 1,037 yuan in 1985, for an annual average increase of 5.9 percent after deducting commodity price increases. Per capita net peasant income rose from 218 yuan to 493 yuan, for an annual average increase of 14.3 percent after deducting the factor of commodity price increase. By the end of 1985, the total amount of savings in the province's urban and rural areas attained a figure of more than 9.93 billion yuan, a more than three-fold increase since 1980. The province has had marked success in its family planning program. By the end of 1985, total population was smaller than the goal of the Sixth 5-Year Plan by 870,000 people.

Gu Xiulian said, during the Sixth 5-Year Plan, the vast ranks of cadres and masses of the province strove to integrate the party's principles and policies with local realities, worked creatively, and adhered to shifting the focus of our work, the promotion of reform overall, the implementation of the open door policy, the strengthening of macroeconomic control and equal emphasis on the construction of both spiritual and material civilizations, gaining some preliminary experiences in all of the above.

While reviewing the achievements of the Sixth 5-Year Plan, she also pointed out that during this historically significant time of transition, many new situations and problems appeared. We have had shortcomings and made mistakes in our work as well, and quite a few difficulties and contradictions still exist in our march forward. We must seriously seek to resolve these problems in our work today.

12221/12899
CSO: 4006/1041

FACTORY DIRECTORS 'NEED SUPPORT DURING REFORM'

Beijing JINGJI RIBAO in Chinese 18 May 86 p 2

[Article by staff reporters Li Xing [2621 2502] and Zang Pingfen [5258 1627 0433]: "Factory Directors Need Support and Understanding During Reform--a Survey of 39 Factory Directors"]

[Text] Factory directors are depicted by artists either as bold and resolute reformers or as old fogies sticking to old ways and seeking no progress. But, what are they like in real life? Recently we conducted a survey of 39 factory directors through correspondence. They include 19 factory directors of large enterprises, 13 of medium-sized enterprises, and 7 of small enterprises. From their responses, we see the following problems.

Utterly Exhausted

"If you are given a few days off, what are you doing to do?"

"Sleep."

That was the answer from 23 factory directors.

Realities in China are such that a factory trying to establish itself in society has to follow society's ways even in its internal management. The factory director must attend many meetings every day. But how many of the meetings are directly related to production? According to what we have learned, generally less than half of a factory director's working time each day is used to handle production matters. Some factory directors spend most of their time handling things which have nothing to do with production. Everyone who has a problem goes to the director--problems in production, supply channels, marketing, and what not. On top of all this, a factory director sometimes has to take care of employees' clothing, food, housing, transportation, marriage, funeral, childbirth and other problems.

We asked the factory directors: What are the things that are most boring to you but still have to be done?

Most answered that it was most boring to attend unnecessary meetings and to receive all kinds of inspection groups. The next is to have to "kowtow" everywhere to maintain good relations for the sake of production and administration. Good relations have to be maintained with organizations ranging from banks, power supply bureaus, and press units to nonstaple food stores and neighborhood committees. Failure to keep everyone happy will cause trouble for the factory.

A factory director's energy is limited. When he is bogged down with so many different kinds of complicated problems, how can production not be affected?

We found from the survey that almost all the factory directors are often unable to leave at quitting time, and that 48.7 percent of them have never been able to quit on time. Among those surveyed, 64.1 percent said that people often come to their homes to discuss problems, generally for 2 hours each day. Besides, most factory directors spend an additional 1.5 hours each day to read documents, draft reports, and think about work. Day after day and year after year, the factory directors are in a state of constant exhaustion. The heavy workload has taken its toll on the health of many factory directors, with 89.7 percent saying that they have suffered from deteriorating health since they became factory directors.

Limited Authority on Personnel Management

We asked the factory directors: "What power do you urgently need and hope can be given to you by higher authorities up to the central government?" The answer from 78.3 percent of the factory directors was the power to appoint and dismiss cadres.

The factory directors surveyed were of the opinion that beside the political requirements for selecting cadres, it is even more important to pay attention to the cadres' pioneering spirit, honesty, courage to express different opinions, and ability to unite comrades. They expect their own subordinates to give full play to their talents while maintaining unity in purpose. In actual work, however, the factory director's most difficult problem is in personnel management. Of the 39 factory directors surveyed, 27 felt that their biggest heacache is the appointment and dismissal of middle-level cadres. According to the traditional concept, cadres can only be promoted and never demoted. Any personnel action an enterprise wants to take must be approved by a relevant department at a higher level. A factory director has no power to dismiss a subordinate for incompetence, the only thing he can do is to place them in some other departments in the factory. But even this can be very difficult. First, the person in question will probably wrangle without end. Second, he may have strong personal connections whose intervention can land the factory director in an awkward position.

Need to Be Understood

We ask the factory directors: What makes you feel most unhappy? The answer from most of them: It's so hard for people to understand us.

First, they need understanding by the leadership at higher levels. Some of the factory directors said: The leadership at higher levels should trust, understand, and support us. It is better for factory directors to have a definite term of office, instead of getting replaced anytime. It is difficult to make a complete and fair evaluation of a person in a short period of time. Yet at present a person often gets replaced for some minor reasons. Lack of understanding leads to mistrust and even suspicion, making it impossible for the factory director to do his work.

Second, they need the understanding of the staff members and workers in the factory. A factory director can also be deeply troubled by the failure of his own staff and workers to understand him. Some factory directors said: Before I became the director, I had many good friends in the factory. Since I became the director, my friends have gradually drifted away from me, and they no longer come to me to speak their minds. If in the handling of things, action has to be taken against a past friend, I will be accused of ingratitude and forgetfulness. When I am busy with work and can hardly find time to get together with old friends, people will say that I have taken on airs and become unapproachable. I don't know to whom can I tell my troubles.

Third, they need the understanding of their family members. Many factory directors mentioned the feeling of estrangement between them and their family members. This feeling has grown because most factory directors are engrossed in work, leaving early in the morning and coming home late at night, with little time left to spend with their families. Among them, 97.4 percent do not have time to take their families on outings, to the movies, or watch television with them, and have no energy left to help their children with their homework, and 74.4 percent rarely have an opportunity to chat with their family members. Therefore, it is very hard for the factory directors to be understood even by their own families. When we asked them about "the attitude of your family toward your work," the answer from 48.7 percent of the factory directors was "tolerance," and a considerable number of families "complained" or "objected" to their new jobs. Only a very few families expressed support for the directors' new job.

Hard to Enjoy Family Happiness

Like other ordinary people, factory directors also have feelings of pleasure, anger, sorrow, and joy. Our survey showed that for factory directors between age 40 and 50, the average monthly income per family member is about 55 yuan, and the average family housing has a floor space of 6.98 square meters. Judging by these figures, there is not much difference between the living standards of factory directors and of ordinary staff and workers. The factory directors are also troubled by their inability to take good care of their parents, crammed housing situation, difficulties in their children's education and employment, financial hardships, and other problems.

Factory directors also have varied interests and hobbies. When they have time to spare, they too want to read, write, watch ball games, grow flowers, or go fishing. However, 89.2 percent of the factory directors surveyed said that it was impossible to pursue their personal interests and hobbies.

The reason is that there is little spare time. Their families all want them to be a good father and dutiful husband. However, almost all the factory directors want to but cannot be these things. And the reason is that there is no time for it. Some factory directors wrote: I am also a human being and wish I could be with my family more and enjoy a happy family life. But I am ties up by my work at the factory. Now my family say that I am like a hotel guest.

In the above, we have presented one aspect of the mixed feelings of some factory directors in real life. A factory director is both a member of the community and the head of a factory. He needs people's understanding, help, and support. What should the leadership at higher levels, the comrades around him and his family members do? Some deep thinking is in order.

12802/12899
CSO: 4006/1077

BRIEFS

ECONOMIC SEMINAR IN URUMQI—A seminar on economic development in minority-nationality areas of West China opened in Urumqi yesterday morning. The main tasks of the seminar are to study and discuss the practical and theoretical problems put forward by China's minority-nationality areas, especially in the west, in the course of economic structural reform and economic construction, and strive to find correct ways of solving these problems, so as to further promote economic development in those areas. Present at the seminar are representatives of 16 nationalities in Xinjiang, Gansu, Ningxia, Nei Monggol, Jilin, Hunan, Hubei, Sichuan, Yunnan, Guizhou, Guangxi, Xizang, and Beijing, and representatives of central leading organs, research departments, institutes of higher education, and academic bodies, totalling some 80 persons. Ismail Amat, chairman of the State Nationalities Affairs Commission, and (Tian Renhui), vice chairman of the regional government, attended the opening ceremony. (Tian Renhui) made a speech. [Text] [Urumqi Xinjiang Regional Service in Mandarin 0000 GMT 19 Jul 86 HK]

/9716
CSO: 4006/1194

FINANCE AND BANKING

INDIVIDUALLY RUN BANKS TO BE BANNED

Beijing JINGJI RIBAO in Chinese 29 Apr 86 p 1

[Article: "Why Cannot Individuals Set Up Banks? China's Financial System Can Only Be Composed of State and Collective Financial Organs; Individually Run Banks Must Be Banned According to the Law"]

[Question] Why can't individuals establish banks or other financial organs in China? What should be done with those already in existence?

[Answer] This is determined by the nature of socialist relations of production. China has a planned, commodity economy based on the public ownership of the means of production. Because of this, China's financial system can only be composed of state and collective financial organs. Only in this way, can we have a strong yet flexible system of financial control and readjustment, and put into full play the function of the financial system in raising and accommodating funds, guiding the flow of capital, enhancing its utilization rate and in readjusting social needs.

At present when problems relating to insufficient funds arise in the normal course of production and operations in the individual economy, they can be completely resolved by applying for credit from state banks or credit cooperatives. Many self-employed households have already established a mutually beneficial cooperative relationship with the appropriate specialized banks or credit cooperative, and have received the credit due them or support in settling accounts.

In the last 2 years, individuals have opened up private banks, old-style Chinese banks and loan associations and other financial organs in Ningxia, Zhejiang, Liaoning and other places. Due to poor management or to impure motives, most of them have participated to different degrees, in indiscriminately raising funds, extending loans, raising interest rates, and sharing profits, to the extent that loans cannot be retrieved on time and withdrawals on savings accounts cannot be guaranteed. In some cases, business is not sufficient to offset debts, leading to self-destruction.

Individually run banks or other financial organs not yet closed down should be put to a legal end according to the "PRC Bank Management Code." All private banks or other financial organs must immediately cease operations;

no new absorption of capital or extension of credit is allowed. As for savings and loan operations already begun, we must do our best to deal with the consequences and settle up creditors' rights and liabilities, retrieving what should be retrieved, supporting what should be supported and collecting whatever taxes should be collected. If financial speculation or fraud is discovered during the cleanup work, legal responsibility should be determined after verification.

12221/12899
CSO: 4006/1041

INDUSTRY

CHINA DAILY: INDUSTRY INCREASES AFTER JAN-JUN SLOWDOWN

HK100449 Beijing CHINA DAILY in English 10 Jul 86 p 4

[By Zhang Xiaogang]

[Text] Chinese industry began to perk up in June after a slowdown in the previous 5 months, according to the State Statistics Bureau. This can probably indicate the effect of the measures the government has taken since the beginning of the second quarter of the year to spur stronger growth while still maintaining tight control over money supply.

It has become established practice for the nation's industrial growth rate to be calculated every month by the bureau, whose figures are published in newspapers.

The output value of industry in June reached 79.5 billion yuan (approximately $25 billion according to the exchange rate at that time), a 6.9 percent increase over the same period last year.

During the first quarter, industry grew only 4.4 percent, lower than the expected annual growth rate for industry. But this helped stabilize prices and ease the demand on money supply, which was more than economic policy makers and economists thought the nation could afford.

They pointed out that the growth rate in the first half of 1985, as much as 23.1 percent, was too fast, or "overheated" in their words. At the same time, they also discovered some problems in the development of industry.

Four economists wrote in a joint article in ECONOMIC DAILY that supplies of energy and materials were insufficient. The nation's foreign exchange reserves were inadequate. Enterprises were short of working capital. Workers did not show enough enthusiasm for production.

Money supply, they argued, was more than expected, higher than the growth of production during the period. This was caused by widespread default among enterprises, including the unregistered unlawful companies that had gone bankrupt.

Moreover, when businesses whose goods could not find a good market tried to shift to producing other commodities, they usually needed more financial support.

Also important was the fact that customers were holding large sums of money waiting to buy what they thought of the "best" goods--actually only a few major electrical appliances. This led to the stockpiling of other goods. Customers put 160 billion yuan in the bank and were keeping another 90 billion yuan in their pockets.

This situation could give the wrong signals to manufacturers and disturb the market.

To encourage stronger industrial growth, the government began to act in April.

Economists called on many occasions for a combination of what they referred to as "adjustment of scale" and "adjustment of structure" in investment controls. What they meant was that enterpirses that were manufacturing truly marketable goods and had demonstrated advantages in technology and management deserved more support even if the state was to cut the scale of overall capital investment.

They also proposed ways of improving the current bonus tax system so as to tie bonus issues more closely to enterprise performance.

Many commentaries were published by the media urging the government and society to guarantee enterprises' decisionmaking power.

In the northeastern industrial centre of Shenyang, where bankruptcy of state-run enterprises and a number of other new practices were being experimented with, factory directors and economists complained about still too much interference "from above."

To facilitate marketing, TV makers began in April to reduce the prices of their black and white sets between 3 and 9 percent (25 yuan on average). Faced by a glut in the urban areas, where 95 percent households own TV sets, they have had to turn to the rural market.

The nation's industrial growth was 3.9 percent in April, 5.1 percent in May, and 6.9 percent in June. The growth rate of the first half of the year was 4.9 percent, "a normal speed," according to PEOPLE'S DAILY and ECONOMIC DAILY.

The production of cameras, electric fans, tape recorders, refrigerators, watches, beer, dairy goods, electricity generators, and some machines expanded more than 20 percent during the period.

Major items of textile products, gasoline, iron and steel, and cement increased more than 10 percent.

The most heartening news is probably that the so-called basic secotrs, that is, production of energy and materials, registered higher growth rates than other sectors. The increase of the letter used to exceed the former, a dangerous sign for economists.

The expansion of the "basic sector" can ensure a long, steady industrial growth, according to the prevalent view held by policy makers and economists.

Also worth-mentioning is that several provinces have performed extremely well this year, including the newly-industrialized Jiangsu and Zhenjiang provinces. Their growth rates were higher than 8 per cent, much higher than places such as Shanghai and Beijing.

The discouraging side of the story is that, according to experts at the State Statistics Bureau, the general economic results of Chinese industrial enterprises did not show signs of much improvement.

This means, first of all, that enterprises still have difficulties assimilating the impact of the price rises of many of their materials, which added much to their cost of production.

In areas where industrial growth was lower than the nation's average, efforts are now being taken towards attaining a higher speed.

In Shanghai, where the industrial growth rate averaged 1.8 percent from January to May, the municipal government announced that its estimated growth rate in June would be 2 percent.

But Shanghai's export registered a growth rate of 8.8 percent from January to June. The city claims it had already fulfilled 52 percent of its export plan for this year by the end of June, according to the local LIBERATION DAILY.

/8918
CSO: 4020/382

DEVELOPMENT OF BUILDING MATERIALS INDUSTRY DISCUSSED

Beijing JINGJI RIBAO in Chinese 31 Mar 86 p 3

[Article by Sun Yi [1327 3015] and Chen Zhiqiang [7115 1807 1730]: "Implement the Principle of 'Everydoby Get Involved in Building Materials Industry; Accelerate the Development of the Building Materials Industry; on Prospects for Development of China's Building Materials Industry During the Seventh 5-Year Plan; Lin Hanxiong, Director of the State Building Materials Bureau, Discusses Technical and Economic Needs of the Development of the Building Materials Industry"]

[Text] The Building materials industry is one of the basic industries of China's present national economy that is in urgent need of top priority development. How has its development progressed during the Seventh 5-Year Plan? This reporter interviewed Comrade Lin Hanxiong [2651 3352 7160], director of the National Building Materials Bureau in regard to this question.

Lin Hanxiong said that since last year, under the guidance of the principles of the reform the open door policy, and of economic enlivenment of the central authorities, relatively good results have been obtained in production in China's building materials industry. In 1985, approximately 3 billion yuan was invested in the industry (of which state investment was a mere 750 million yuan). Output for major building materials exceeded target norms of the state plan. During the Seventh 5-Year Plan, we must adhere to the demands made by Premier Zhao Ziyang concerning the development of the building materials industry and further implement the principle of "everyone get involved in building materials," improve administrative management, energetically promote technological progress, tackle the problem of product quality, and increase economic returns industrywide. We must completely turn the situation around in the five areas of quality, variety, consumption, completeness, and effectiveness, and strive for greater development in the production of building materials. The principle direction for the development of the major building materials products is:

The Ratio of High-Quality Cement Produced Must Be Increased As Rapidly As Possible

During the Seventh 5-Year Plan, the cement industry must face up to current outstanding problems of poor quality, a high rate of consumption, irrational enterprise structure, and less than ideal social benefits and emphasize technical progress, and adopt a policy that centers around the role of technologically advanced, large-scale, core enterprises in leading smaller enterprises to increase the proportion of high-quality cement manufactured as rapidly as possible. In order to accomplish this, capital from all sources must be brought in to construct large and medium-sized cement enterprises. In addition, the new technique of decomposition outside the kiln must be enthusiastically adopted. We must organize our technological resources to tackle particularly difficult problems and design our own technique and equipment for decomposition outside the kiln that can produce 1,000 tons to 2,000 tons of cement a day.

At the same time, we must seek to manufacture, in cooperation with foreign concerns, complete equipment for decomposition outside the kiln with a daily production capacity of 4,000 tons. Regarding the reform of large and medium-sized cement enterprises already in existence, our work must focus primarily on expansion according to the principle of "expand first and reform later." If we proceed from actual conditions, it will not generally be necessary to tear down and rebuild in a big way while engaging in partial renovation of production lines formed by wet process kilns and Sliboer (4539 3134 1422) kilns. It is estimated that by 1990, production output for high-grade cement of stable quality that can be used in structural building will reach approximately 100 million tons and account for 60 percent of total cement output. At the same time, progress will be made in increasing product variety, reducing consumption and in improving enterprise structure.

As for smaller cement enterprises, from now on we will not generally construct any new enterprises that produce less than 50,000 tons. "Duck-egg kilns" will no longer be permitted to function. Reform and expansion of smaller cement enterprises now in existence shall take as its objective, enhancing quality and reducing costs. Ordinary shaft kiln production must be transformed into mechanized shaft kiln production; mechanized shaft production systems already in existence must be made self-sufficient and complete based on technological needs.

The Plate Glass Industry Must Focus on the Development of the production Line with Floatation Method and Improving Quality

Problems of poor quality, little product variety, high consumption and backward technique also exist in China's plate glass production. At present only about one-third of plate glass produced nationwide meets the state's standards on quality. In addition, due to backward packing, transporting, loading and unloading and other reasons, there is a good deal of loss due to damage and the product utilization rate is low.

For some time to come, plate glass production must rely on both induction and floatation methods. But the focus must be on the floatation method and constantly increasing the proportion of plate glass produced in this fashion. On the foundation of popularizing the results of the Loyang No 2 production line with the floatation method and assimilating, absorbing and importing advanced technology, we must strive to cooperate with foreign concerns to design and manufacture production line using floatation method with 500-and 700-ton capacity. We must renovate production line with the induction method currently in existence, and energetically seek to utilize advanced technology, but we should proceed from reality and make steady, stable progress rather than go all out to tear down and rebuild. We must develop production of high-quality raw materials and fire-resistant materials and gradually realize standardization in the selection, processing and supply of raw siliceous material, which must be transformed into a commodity equipped with an adequate base in order to provide the powder and high-quality fire-resistant material needed in the furnaces of large-scale glass factories that manufacture plate glass. After adopting these measures, it is estimated that by 1990 the production output of glass produced by the floatation method will account for 40 percent of total glass output nationwide, and 50 million cases will attain national standards, of which one-third will reach international standards.

Efforts Must Be Made To Develop and Increase Production of Diversified Wall-Building Materials

Production of wall-building materials in China at present still revolved primarily around small-scale, solid clay bricks, which requires a high level of consumption and the destruction of good land, bringing about little social benefit. In order to change this situation as rapidly as possible, we must exert great efforts to develop production of hollow clay bricks, hollow concrete blocks, limestone bricks, aerated concrete, baked bricks made of residue clay, plaster products, unbaked clay bricks, all kinds of fiverboard, concrete composition board, other types of light-weight composition board, and other new kinds of wall-building material. Different technologies must be utilized to form a product-mix system of wall-building materials special to each region and develop production and supply in complete sets. Our policies must support the utilization of industrial wastes in processing building materials. We must attempt to construct throughout the nation several new-style, model production lines and zones by 1990 for wall-building materials, and raise the proportion of new-style wallbuilding materials from its present 5 percent to more than 40 percent.

Finally, Comrade Lin Hanxiong pointed out the great importance of information work in the building materials industry. The prompt supply of accurate technological and market information industrywide is one of the conditions necessary to guarantee continued, stable, coordinated, healthy development. We must perfect our information networks, make a great effort to develop sources of information, constantly expand the scope of service, supply information throughout the industry and provide information services. At the same time, we must stress personnel training and development, make full use of the role of the third educational tier in the building materials system and work hard to cultivate specialized personnel in all fields for the entire industry in order to enhance the quality of all of its staff. Technicians already on the job must be reeducated in a planned fashion in new knowledge so that they can adapt to the new situation as rapidly as possible. Technological guidance over township, town and village building materials enterprises must be augmented, technological services, training, and complete sets of equipment must be provided, and model new technology zones must be created and made widespread in order to raise the technological level of township, town and village building materials enterprises, with the aim of improving quality and enhancing returns. Efforts must be made to resolve the equipment problems of the building materials industry with the goal of achieving outstanding progress and development in the quality of building materials equipment and equipment in complete sets within a short period of time. We must continue to concentrate on the importation of technology and closely cooperate with machine-building sectors, integrating technology with trade and making full use of these sectors' advantages to organize together coordinated production of complete sets. In order to ensure the revitalization of the building materials industry during the Seventh 5-Year Plan, we must also promote the excellent traditions of building materials workers and do a good job in the construction of the socialist spiritual civilization. In summation, we must, during the Seventh 5-Year Plan accelerate the pace of the strategic transformation of the building materials industry's system of management, methods of operation, production technology, and product mix to gradually satisfy the daily growing needs of the state in economic construction and of the urban and rural populace in home-building for quantity, quality, variety, and good results in building materials.

12221/12951
CSO: 4006/935

INDUSTRY

ANHUI TEXTILE PRODUCTION DISCUSSED

Hefei ANHUI RIBAO in Chinese 23 Mar 86 p 1

[Article by the Research Institute of the Anhui Province Textile Department: "Production Situation in Anhui's Textile Industry Encouraging; Gross Output Value for this January, February Increased 22.89 Percent Over Same Period Last Year; Growth Rate Higher Than That of All Industries Provincewide and Average Rate for Textile Industry Nationwide; Taxes Submitted and Output Value Grow Equally"]

[Text] Gratifying results were obtained in January and February of this year in production Anhui Province's textile industry. The GVIO amounted to 396 million yuan, for 22.89 percent increase over the same period last year. The industry's growth rate was higher than that of all industries provincewide and the average rate for the textile industry nationwide.

There were four aspects to the good situation this January and February in Anhui's textile battlefront: 1. Simultaneous growth in the amount of profit-tax remitted and in output value. This January and February, 43.7 million yuan in profits and taxes were realized, for a 14.6-percent increase over the same period last year. 2. Increases were seen in the great majority of prefectures and cities. According to the statistics of the textile companies of the various prefectures and cities provincewide and 19 units including the Anhui Vinylon Factory, 18 units showed increases compared to the same period last year. The most rapid growth occurred in Huaibei City (87 percent), Tongling City (83 percent), and the Anhui Vinylon Factory (2.7-fold). 3. Great increases in output were seen for major textile products, particularly for products in demand. According to statistics comparing 27 different products, 19 products, more than 70 percent of the total, showed increases over the same period last year. Many of these products were hot items in great demand. For example, cotton yarn increased 20 percent; pure cotton cloth, 34 percent, finely woven woolens, 31 percent; coarsely woven woolens, 57 percent; silk, 35 percent; gunnysack, 26 percent; volume of yarn used in cotton knitwear, 13 percent; and so on. 4. Export goals for textile products were completed. Gross output value of products exported in January and February came to 44.31 million yuan, which represented an increase of more than 60 percent over the same period last year.

12221/12951
CSO: 4006/935

INDUSTRY

BRIEFS

SERVICE TRADES INCREASE--Beijing, July 4 (XINHUA)--China now has 5.3 times as many service centers as in 1980, today's ECONOMIC DAILY reports. There are altogether 10 million stores, restaurants, food stalls, barbershops, tailor's shops, repair shops and other service facilities, says the paper, quoting a latest release of the State Statistical Bureau. Including commerce, service trades, transport, post and telecommunications, these employs 60 percent more people--73,650,000--than in 1980. The state invested 160 million yuan in such undertakings over the 1981-85 period, accounting for 47 percent of its total investment. Employees in such collective and individual businesses jumped 1.4 times, compared to the 7.1 percent rise in state enterprises. Collective and individual businesses accounted for 75 percent of service trade employment in 1985 and accounted for 60 percent of the total retail sales, as against 16 percent in 1980. [Text] [Beijing XINHUA in English 0624 GMT 4 Jul 86 OW] /8918

CSO: 4020/382

CONSTRUCTION

BRIEFS

MORE APARTMENTS FOR SALE--Beijing, July 3 (XINHUA)--China will build more apartments for sale to help solve the urban housing problem, an official of the Ministry of Urban and Rural Construction and Environmental Protection said here today. Urban housing in China is built, owned and distributed mainly by the government or work units. The rent is nominal, barely enough to cover maintenance and repair costs. Sales of government-built apartments to individuals have been first tried out since 1982 in four cities--Zhengzhou, capital of Henan Province, Changzhou in Jiangsu Province, Shashi in Hubei Province, and siping in Jilin Province. The aim is to recover part of the construction cost, thus reducing the burden on the government and the housing shortages in cities. Sales are available in 160 cities and 300 county towns, which recover more than 700 million yuan a year. By the end of last year, China had built such apartments with a total floor space of 4.81 million square meters. The official said that Guangdong and Zhejiang provinces have taken the lead in the country in selling houses. Apartments with a total floor space of 158,000 square meters were sold in Shantou City, Guangdong Province, last year, making it the top seller in the country. The official noted that the supply of apartments for sale still falls short of demand in cities, the larger cities in particular. According to a survey in Wuhan, capital of Hubei Province, only 289 families of the 1,284 families who applied in 1985 were able to buy houses. [Text] [Beijing XINHUA in English 1425 GMT 3 Jul 86 OW] /8918

CSO: 4020/382

FOREIGN TRADE AND INVESTMENT

INCREASE IN EXPORTS TO JAPAN URGED IN JILIN

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 6, Nov-Dec 85 pp 26-29

[Article by Zhang Hongsheng [1728 4767 3932], Wang Jingwu [3769 2529 2976] and Liu Ying [0491 4481 of the Accounting and Statistics department, Jilin Finance and Trade Office: "An Analysis of the Expansion of Jilin's Exports to Japan"]

[Text] Our province is located in the central region of the northeast. Japan and Jilin are close neighbors separated only by a strip of water. Extremely favorable conditions exist for trade with Japan. At present, trade with Japan is an important part of Jilin's foreign trade, the volume of trade is second only to Hong Kong and Macao. Last year Jilin's export volume to Japan was over $58 million, 20 percent of total exports. This year statistics to the end of May show the total volume of exports to Japan at over $54 million, 42 percent of total exports. In order to usher in a new phase in Jilin's exports to Japan, we must earnestly analyze potential for expanding exports to Japan.

I. Stabilizing Trade Channels

In the course of exporting to Japan, Jilin must give priority to large-volume commodities and, at the same time, develop new small-volume commodities and stabilize export channels. On the basis of stabilizing channels, it is extremely important that Jilin gradually expand exports to Japan. We must focus on the following several points.

1. Determine the capacity of the Japanese market. (a) Large capacity: The need of the Japanese for daily necessities is great and the volume of imports is high. For instance, 2.5 million single-use sanitary chopsticks are sold every year, 80 percent of which are small chopsticks. The Japanese rely primarily on imports. Also, the demand for cosmetics is high (perfume, lipstick, rouge, etc.). As much as $65 are spent per person every year on cosmetics, second only to the United States. Proceeding from the reality of Jilin we must adapt to the changing characteristics in the demands of the Japanese market and develop new and marketable varieties. (b) Style and diversity: In Japanese furniture stores one can see a variety of styles of furniture and there are numerous kinds of wood used. Each year 1,500

to 2,000 cubic meters of the Chinese scholar tree are needed. In 1978, Jilin concluded transactions with Japan for the first batch of scholar tree wood, a total of 7 cubic meters. In the past few years we have supplied Japan with 600 to 700 cubic meters. (c) Fierce competition: In the area of consumer goods the Japanese want good and cheap products. Thus the medium-and low-quality commodities of many countries and regions compete against each other to squeeze onto the Japanese market. Competition is fierce, particularly for handicrafts and daily cosmetics. Their packaging costs are almost equivalent to product costs, which gives rise to intense advertising and marketing.

2. Avoid the situation where too many people are separately conducting foreign trade. After some companies set up their own businesses, they stressed only total export volume. They rashly lowered prices as they competed with each other for sales in Japan. On the one hand, this has only served to enrich foreigners. On the other hand, this has caused chaos in the Japanese market. Trade opportunities have decreased and market channels are often undermined. Take the Wei [5633] plant for example. After many years of hard work by the China National Cereals, Oils and Foodstuffs Import and Export Corp. and by several Japanese commercial associations, trade in this commodity was successful. However, because of the effect of numerous supply channels the market was thrown into confusion and the enthusiasm of specialized importers faded.

3. Establish a market network. In addition to participating in the spring and autumn trade fairs and ordinary wire transactions, Jilin should adopt the method of "going over there and asking to be let in." This will broaden contacts with Japanese business. We will then be able to select customers with good credit and business abilities to act as our distributors and agents. They will constitute a market network in the Japanese market which gives priority to promoting the sale of Jilin exports. In sum, imports with a relatively high growth rate in Japan are generally those commodities which are correctly geared toward the special characteristics and laws of the Japanese market and those for which marketing strategies are correctly implemented.

II. Stabilize Commodity Quality

The key to whether or not a commodity can enter the Japanese market and, after entering the market, whether it can keep a firm foothold, is not the quantity of goods or the price. On the contrary, the key is the quality of the commodity and its marketability. The reason why some of Jilin's commodities can break into the Japanese market is that they are of high quality and correspond to the demands of Japanese consumers. Nevertheless, in recent years some export departments and manufacturers in Jilin have not regarded this as a rule of the international market but rather they only "strive for quantity not quality." They fail to pay attention to product quality, variety, and style. As a result business starts to die, over time the market shrinks, and they are forced to withdraw from the Japanese market. Jilin abounds with beets and exports. The economic results are substantial and it sells well. In 1983, Jilin sugar plants planned to export 6,000 to 8,000 tons but because the color and appearance of the granules produced were inferior, Japanese businesses did not want the products of these plants. Last December the Japanese press published an article on the poor quality of the granules of these plants, which resulted in the purchase of only 1,000 tons of the 2,000 tons already shipped to Japan. Another example is the soybean, Jilin's major, traditional export. Due to changes in the world market and due to a decline in the outward appearance and quality of Jilin soybeans, business with the Japanese has been affected. The size of Jilin's exported soybeans is not uniform and the color is poor. Protein and oil content fall below foreign standards and they contain many impurities and are of varying color and quality. It is understood that in the past Jilin signed contracts with Japan to export 50,000 tons of soybeans but because appearance and quality were poor, because mold and were mixed in and because there were many broken bits and moths, only 20,000 tons were sent out. The Japanese then stopped placing orders.

Consequently, it is necessary to guarantee the stability of the quality of commodities and to do the following:

First, increase the introduction and development of technology. Selling on the international market is very competitive and it boils down to technological competition. If we do not use advanced production technology it will be very difficult to produce high-quality products. After the war, Japan introduced large amounts of advanced technology and actively exploited it. As a result, the quality of exports rapidly improved and Japan has become known as a "nation built from trade and technology." In order to improve the poor quality of numerous exports in Jilin and correct the problem of having too many popular goods, industrial trade departments must work together. They must start by transforming obsolete production technology, accelerating the introduction of technology, adopting such methods as compensation trade, joint ventures, and cooperative production and open up new product outlets. They must do so as rapidly as possible so that exports from Jilin are upgraded and improved.

Second, establish name brands and guarantee production of name-brand commodities. A name brand is a sign of high quality. At present consumers seek out name brands. Establishing name-brand goods is of extreme importance in improving the image of Jilin exports, safeguarding the reputation of enterprises, and expanding the product market.

Third, establish specialized plants and workshops for Japanese exports. As workers and technicians in specialized plants and workshops work for long periods of time on the production of a certain commodity, they accumulate experience and become skilled in the use of that technology. They are, therefore quite capable of improving craftsmanship, improving the proportion of products up to standard, and decreasing the reject rate so that the quality of exports to Japan continues to improve.

Fourth, establish the necessary scientific research agencies for exports. Currently the majority of exports are raw materials or primary products. Little foreign exchange is recovered. Export manufacturers and enterprises should get specialists to set up a scientific research agency to study how to manufacture finished and semifinished products from raw materials and how to develop high-quality finished products from low-and medium-quality goods so as to improve the collection of foreign exchange revenue.

III. Stabilize Prices

The job of determining export prices is an important policy and strategic issue. If export prices are set too high exports will be affected; if they are set too low, not only will this lead to loss of foreign exchange it may also lead to harmful political consequences. We should have "genuine goods at a fair price" and have rational pricing which is acceptable to both Japanese and Chinese parties. How is this to be done? We believe it is necessary to take the following into account.

1. The Effect of Quantity on Pricing

Quantity is one of the basic factors in stabilizing Japanese market prices. If supply exceeds demand, prices will fall and when the reverse is true prices soar. Consequently, it is necessary to determine the capacity and needs of that market and avoid sudden changes in prices. Take, for instance, the Jilin exports to Japan. Why is the amount exported per year kept at 600 to 700 tons? In fact, it could all be exported but in order to avoid a drop in prices, the policy of less being better than too much has been adopted. Prices are controlled by quantity.

2. The Effect of Quality on Prices

There is a close relationship between quality and selling price. High quality demands top prices and inferior quality fetches a low price. In particular, as far as textiles and light industry products are concerned, we must pay attention at all times to beautiful varieties and styles and be adaptable. The Japanese market places strong emphasis on determining prices according to quality and grade so that often commodities of the same material have different prices due to differences in pattern and style.

3. The Effect of Packaging on Prices

There is a saying: "A man puts on clothes and a horse a saddle." If packaging is crude, no matter how fine the intrinsic quality of the commodity it will not attract customers. On the contrary, the quality of some commodities is not high, yet they are beautifully packaged so that they attract customers. The quality of other commodities is actually quite good, yet because they are poorly packaged they do not fetch a high price. There is some truth to the saying "Goods sell by their wrapping."

4. International and Domestic Pricing

International practice is frequently based on market selling prices and the supply of goods. Once both parties have consulted, a decision can be reached. Recently some production enterprises and manufacturers, under the pretext of an increase in prices of raw and subsidiary production materials, recklessly spread out costs so that purchasing prices shot up. They intended to use the policy of increasing prices to improve economic results. This is not a good method. The way to improve economic results is to mainly rely on lowering production costs and strengthening the competitiveness of commodity price and quality. This is the way to expand exports. For instance, last year the Industrial Chemical sold hydracid to Japan. The selling price dropped from $4,000 to $3,900 and the selling price of napththol dropped from $1,750 to $1,400. The response was very good. On the other hand, each individual commodity supply unit made a great profit while deficits, some quite large, occurred in foreign trade. The year before last Jilin exported ammonium molybdate to Japan. Due to high plant production costs, the factory price rose and the export selling price dropped. The export cost was 34.4 percent higher than in 1981. As a result the loss from foreign trade exports of ammonium molybdate amounted to approximately 10 million yuan.

IV, Stabilize Quantity

Jilin is rich in natural resources. The eastern region consists of mountainous and partly mountainous areas, the central region consists of the Songliao plateau and the western region consists of vast grasslands. Thus, there are possibilities for expanding exports to Japan of agricultural sideline products, nonferrous metals, rare metals, light industry products, textiles, liquid chemicals, machinery, optics, etc.

This is determined by the level of production development in industry and agriculture in Jilin and by the demands of the Japanese market. Henceforth it is necessary to expand exports to Japan and to adopt the following measures. (a) It is above all necessary to formulate a correct strategy for exporting to Japan. It should be based on Jilin's superiority, be aimed at the Japanese market and set down a long-term development plan. It is necessary to gradually expand the proportion of finished products, however, at present and in the near future it is still necessary to give priority to primary products in exporting to Japan, primarily agricultural sideline specialities. Buckwheat, for instance, is one of Japan's popular foods. Over 80,000 tons per year are needed and Japan only produces approximately 20,000 tons domestically, the remainder must be imported. In 1983 Jilin only exported 5,000 tons to Japan. The Japanese response was so positive they requested an increase in supply. In 1984 Jilin exported 6,000 tons and, according to forecasts of those involved, it is entirely possible Jilin exports of buckwheat to Japan will grow to 10,000 tons. (b) In order to maintain and expand the commodity market it is necessary to avoid "steep increases" or "sudden drops" in quantity. Stabilizing the quantity of exports is the best plan for steadily expanding quantity. It is necessary to wait for the opportune moment. (c) Under ordinary circumstances commodities must not be rashly withdrawn from the market. As there is only one market, if we withdraw another will step in and it will be difficult for us to return. Sorghum, for instance, is regarded as fodder in Japan. They need 3 million tons per year which are primarily imported from Argentina and the United States. In 1960, Jilin exported over 12,000 tons to Japan but it was later discontinued for a time for various reasons. This year we would like to resume exporting and proposed this to Japan. Japan, however, brought up the following: (1) Japan has already established stable distribution channels with the United States and Argentina and there is an ample supply; (2) Japan has relatively strict requirements regarding commodity standards and delivery dates; (3) some commercial associations take a sceptical attitude regarding our ability to stabilize commodity supplies in the future. (d) We must observe contracts, lay stress on credit and deliver goods on schedule: Japanese businesses attach great importance to delivery dates. It is better for goods to be delivered early rather than late, otherwide it may affect revenues. Sanitary chopsticks are a hot item on the Japanese market. Many commercial associations have placed orders. A certain Japanese company has placed an order for 10,000 pairs per month. In order to make comprehensive arrangements for Chinese-Japanese trade of sanitary chopsticks, the Japan Waribashi Machine Association will send a delegation to Jilin to discuss developing cooperation for sanitary chopsticks. Moreover it is also necessary to pay attention to the seasonal nature of commodities. The summers are hot and damp so consumers prefer to wear cotton, linen, silk, and other natural fibers. Synthetic fibers have little absorption and do not sell well. Winters are very dry. As a result, wardrobes, chairs, tables, sofas, and other wood furniture as well as bamboo goods split easily, change shape and sag. Thus careful attention must be paid to selecting materials for exports and to craftsmanship.

V. Selecting the Best Route for Transportation

In the past Jilin's supply of goods were exported from Qinhuangdao and Dalian harbor to Japan. Early in 1983 the "land and water bridge" shipping route opened up through the Korean Qingjin harbor to Japan. Consequently new opportunities for trade relations between Japan and Jilin have opened up. After trial runs this route turned out to be the best route. Goods shipped to Japan arrived half a month earlier than goods shipped from Dalian harbor. The Japanese welcomed this development.

Qingjin harbor is located in the city of Qingjin in Xianjin Beidao, Korea. It is divided into east and west ports. In order to let China transfer commodities, Korea completely vacated this port for Jilin and Heilongjian. In the east port of Qingjin there are four berths so 5,000 to 10,000-ton freighters can berth there at the same time. The annual handling capacity is 1.5 million to 2 million tons. The dock has mechanized loading and unloading equipment which can operate yearround. This port is quite close to Jilin, it is 177 Km from Tumen to Qingjin by rail. Use of this port is very advantageous to easing shortages of available port loading and unloading equipment in China. Between April and May 1983 Jilin used Qingjin harbor to transport over 70,000 tons of exports to Japan. Actual freightage over the past 2 years has demonstrated that this new shipping route to Japan uses less shipping time, foreign exchange is cleared earlier, it saves shipping costs and involves fewer linkages. This route may reduce packing damages and losses. At present this route is used to export granules, bone granules and pteridium aquilinum to Japan.

It is the hope of both parties to develop trade between Jilin and Japan. We firmly believe that under the guidance of the principles of peaceful friendship, equality, and mutual benefit and long-term stability the blossom of trade relations between Jilin and Japan and economic cooperation will bear rich and plentiful fruits.

9864/12951
CSO: 4006/736

FOREIGN TRADE AND INVESTMENT

SHANGHAI MEETS ENTERPRISES' FOREIGN EXCHANGE NEEDS

OW140745 Beijing XINHUA in English 0654 GMT 14 Jul 86

[Text] Shanghai, July 15 (XINHUA)--Government agencies in Shanghai have joined the central government in working to ease foreign currency shortage for Sino-foreign joint ventures.

The State Council issued regulations offering help to joint ventures which run into foreign exchange deficit problems in January this year.

In line with the regulations, the Shanghai City government has adopted a number of flexible measures. One of them is to organize currency swaps among its enterprises.

Between February and the end of this year, for example, the Shanghai Tourism Services Development Co. will sell the Bank of China one million U.S. dollars at official exchange rates. And the bank in turn will sell the dollars at the same rates to the Shanghai-Foxboro Co., a Sino-American enterprise producing machine instruments for domestic as well as overseas sales.

Shanghai-Foxboro needs the money to import spare parts, while the tourist company takes in more foreign currency than it needs for its purchases abroad. "By setting up this system, we've been able to coordinate the firms' needs," one official told XINHUA today.

The central and local governments have also increased the foreign exchange allocated for use by joint ventures, said Qian Shiqing, an official from Shanghai's foreign exchange control office.

The Shanghai Volkswagen Automotive Co., a joint venture between China and Federal Germany, will be a major beneficiary of the new policy, he said. It will be eligible to buy more than 200 million U.S. dollars over the rest of the decade, he said.

As another measure, the central government has authorized the Shanghai company and other joint ventures to demand foreign currency for part of their products within China, products the country previously had to import. In Shanghai, this applies to Volkswagen Santana cars, as well as some products of the

Shanghai Bell Telephone Equipment Manufacturing Co.--a joint venture between China and Belgium--and Shanghai-Foxboro.

To make these products more competitive, the city government has eliminated tariffs on the import of raw materials, preferential treatment previously only given to export-oriented enterprises, the official said.

Shanghai and central government officials have also cooperated in assisting 3M China, a company entirely owned by the 3M Co. of the United States, to convert its Chinese currency into foreign exchange by selling Chinese farm products and other goods abroad.

The key to keeping a foreign exchange balance in the joint ventures is to expand exports of their products, the official said.

By the end of June, Shanghai had approved 180 Sino-foreign joint ventures, cooperative enterprises and factories with sole foreign capital, involving a total investment of 1.31 billion U.S. dollars.

Among the 50 industrial joint ventures investigated by the Municipal Foreign Economic Relations and Trade Commission earlier this year, most have no foreign exchange deficit problems.

Local economists predict that only five joint ventures in Shanghai will have a nagging foreign-exchange problem.

/9599
CSO: 4020/385

FOREIGN TRADE AND INVESTMENT

BRIEFS

STEEL MILL FROM SWEDEN--China is buying an entire steel mill from the steel division of Kockums. The steel mill, which is presently in Ronneby, is to be dismantled and shipped to the province of Fujian in southeastern China. Operations at the plant ceased in the fall of 1985. The buyer is China International Steel, and the enterprise is estimating a doubling of production capacity to 250,000 within the year. [Text] [Stockholm DAGENS NYHETER in Swedish 17 Jul 86 p 10] /8309

MOFERT SANCTIONS XINJIANG TRADE ZONE--MOFERT [Ministry of Foreign Economic Relations and Trade] recently approved the establishment of a special trade zone composed of three areas in Southern Xinjiang: Hotan, Kashi and Kizilsu Kirgiz. These three areas produce cotton, melons, jade, livestock and handicrafts made by members of the Uygur, Tajik and Kirgiz nationality groups. New regulations designed to encourage trade with the Middle East, West Asia and Gulf countries will allow them considerable autonomy and will also allow foreign businessmen liberal access to trading posts on their borders with the USSR, Pakistan, Afghanistan and India. [Excerpt] [Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 23 Jun 86 p 1]

SHANGHAI LURES FOREIGN INVESTMENT--The Deputy Director of Shanghai's Bureau of Taxation, Dong Dingrong (5516/7844/2837), announced on 28 June that Shanghai is about to issue new regulations granting preferential treatment to the three kinds of enterprises that involve foreign investment: joint ventures using Chinese and foreign capital; Chinese/foreign cooperation enterprises and enterprises operated exclusively with foreign capital. These new regulations are designed to reduce the tax burden on foreign businessmen, expand preferential treatment and simplify procedures. Enterprises involving foreign know-how, technology, energy and port construction in which foreign investment totals U.S. $30 million or more will be taxed at a rate of 15%. Joint ventures using Chinese and foreign investment will be exempt from taxes for the first two years after they begin making profits and the following three years will have their taxes reduced by 50%. [Excerpt] [Shanghai WEN HUI BAO in Chinese 29 Jun 86 p 1]

SHIPPING PLAN FULFILLMENT--Beijing, 5 Jul (XINHUA)--According to statistics, in the first 6 months of this year, shipping enterprises under the administration of the Ministry of Transport handled more than 98.8 million metric tons of goods, a 10-percent increase over last year's figure, and loaded and unloaded over 230 million metric tons of cargo at river and sea ports, an 11-percent increase over the figure of last year. [Summary] [Beijing XINHUA Domestic Service in Chinese 1149 GMT 5 Jul 86 OW] /8309

INTERNATIONAL COMMODITIES FAIRS--Beijing, 4 Jul (XINHUA)--Foreign visitors can make on-the-spot purchases or enter into trade negotiations at about a dozen Chinese or international commodities fairs abroad later this year, "International Business" reported on Thursday. China is changing its conventional practice of not putting most products on display for sale and now has sales personnel to sign contracts or arrange direct purchases. Of the 17 fairs scheduled for later this year, the China Council for the Promotion of International Trade is planning its shows for about a dozen such fairs in this way. These include a big fair jointly sponsored by 111 Chinese trade companies in Tokyo from July 28 to August 10; the third international trade fair from July 12 to 27 at Kuala Lumpur which will be supplied with goods from seven Chinese cities and provinces; and a Chinese export commodity fair in Paris from September 12 to October 5. Also included are a month-long Chinese commodities fair in the U.S. state of Texas from September 26 and several in African countries after mid-October. [Text] [Beijing XINHUA in English 1001 GMT 4 Jul 86] /9599

JIANGSU EXPORT EARNINGS--Beijing, 8 Jul (XINHUA)--The East China Province of Jiangsu earned 880 million U.S. dollars from exports in the first half of this year, up 20.16 percent over the same period of 1985. Industrial and agricultural output value of the province has remained top in the country for 4 years. [Excerpt] [Beijing XINHUA in English 0716 GMT 8 Jul 86 OW] /9599

EXPORT COMMODITIES FAIR--Dalian, 10 Jul (XINHUA)--Contracts worth 170 million U.S. dollars were signed at an export commodities fair which closed in this coastal city of Liaoning Province today. This more than doubled the amount at the fair held last year, an organizing official said. In addition, provincial foreign trade companies concluded 56 contracts of 60 million U.S. dollars on the introduction of funds and technology with foreign firms. Liaoning is China's leading heavy industrial center. [Text] [Beijing XINHUA in English 1427 GMT 10 Jul 86] /9599

NEI MONGGOL TO HOST TRADE SYMPOSIUM--Hohhot, 16 Jul (XINHUA)--The Inner Mongolia Autonomous Region is to hold its first foreign trade symposium and fair, said vice-chairman of the region Liu Zuohui here today. The symposium, to be held between August 5 and 12, aims at attracting foreign businessmen to the natural resources of the region, and at signing contracts on technological cooperation, Liu said. The regional authorities offer opportunities for foreign businessmen in more than 80 fields, including the wool spinning, leather, metallurgical, machinery, building materials, and food industries. Inner Mongolia held a meeting to publicise 54 cooperative items in Hong Kong last year. Liu also said that almost 800 varieties of goods are to be on sale at the fair. They include hardwares, minerals, animal products, food, handicrafts, and textiles. Inner Mongolia is a leading producer of wool in China, and the reserves of rare earth, niobium, natural soda, and coal also take the leading position in the county. In recent years, the region has developed technical cooperation and trade relations with 59 countries and regions, and signed 26 contracts on joint ventures, compensation trade, and leasing. [Text] [Beijing XINHUA in English 1046 GMT 16 Jul 86] /9599

CSO: 4020/385

XIAMEN JOINT VENTURE BANK REPORTS PROFITS

OW151433 Beijing XINHUA in English 1357 GMT 16 Jul 86

[Text] Xiamen, July 16 (XINHUA)--The Xiamen International Bank, China's first joint venture bank with overseas partners, earned 8.53 million Hong Kong dollars in profits in the first 6 months of this year, according to a bank manager.

"This is better than we expected," said Liu Shuxun, general manager of the bank, which opened in November last year.

With a registered capital of 800 million HK dollars, the bank was established by the Fujian branch of the Industrial and Commercial Bank of China, the Fujian Investment and Enterprise Corp., the Xiamen Construction and Development Corp., and Panin Group Corp. of Hong Kong.

The bank has two subsidiaries, the Luso International Banking Co. in Macao and the Xiamen International Finance Co. in Hong Kong.

The Luso International Banking Co. alone received individual deposits of more than 20 million HK dollars and loaned 530 million HK dollars during the first half of the year.

The Xiamen International Finance Co. has accepted loan applications for 230 million HK dollars and has so far made loans of 15 million HK dollars for projects involving color printing, food canning, textiles, and plastics.

The Xiamen International Bank has also established business ties with financial institutions in the mainland and Hong Kong.

So far, 11 Hong Kong financial institutions has given the bank a line of credit worth 27 million U.S. dollars plus 60 million HK dollars.

"This shows the Xiamen International Bank is well thought of in Xiamen, Hong Kong, and Macao, " said Liu. "And we have only begun to grow, especially in the area of mortgages."

/9599
CSO: 4020/385

POPULATION

GUIZHOU LEADER STRESSES IMPORTANCE OF BIRTH CONTROL

HK090457 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 8 Jul 86

[Talk by Zhang Yuqin, Vice Governor and Chairman of the Provincial Birth Control Commission: "It is Essential to Get a Constant Grasp of Birth Control Work"--recorded]

[Excerpts] Guizhou has done a lot of work in birth control and achieved a certain degree of success, thanks to the common efforts of the party committees, government, the basic-level cadres, and the birth control work departments. However, judging by the situation in the first half of this year, there are still many problems, and the work is far from meeting the demands of the Provincial CPC Committee and government.

The main problem is that the development of the work is uneven. Only a few places have done a good job in birth control work. The majority of places have grasped the work ineffectively, made little progress, and achieved poor results. Some prefectures and counties have failed to fulfill their birth control targets. There is a high rate of births not covered by the plan, and the population shows signs of increasing. Certain basic-level cadres, who are afraid of difficulties, fail to do their work in a penetrating and meticulous way. Ideological education is weak.

As everyrone knows, Comrade Hu Yaobang has explicitly pointed out that the population problem is always an extremely important issue in China's economic and social development. Practicing birth control is a basic national policy. The CPC Central Committee recently issued Document No. 13 of 1986, which gives clear instructions regarding the situation, tasks, guiding idea, principles, policies, and measures for birth control work. The document further expounds on and demonstrates the importance and urgency of population control and the birth control policy in China.

In particular, Guizhou's development level is already backward. During the Seventh 5-Year Plan we will be in a peak birth period. If birth control work is not grasped effectively and the population increases too fast, this will put still greater pressure on economic and social development, and even slow it down. In that case we could hardly attain the goal of invigorating the province and enriching the people. The party and government leading cadres at all levels must therefore have a very clear understanding of the importance of birth control work. They must by no means take the issue lightly. They must truly view the population issue as a strategic issue, and get a ceaseless grasp of it.

At present our province must first do a good job in publicizing and implementing the population policy. We must seriously study CPC Central Committee Document No. 13, analyze the population situation in our area, and solve problems in the work. The birth control work departments must seriously explain to the masses the party policies and scientific knowledge.

We must seriously strengthen work at the grassroots, set up district and township birth control management organs, and put them on a sound basis. Under the leadership of the village party branches, we must form permanent work teams composed of CPC and CYL members, birth control activists, township and village doctors, and women cadres to launch various birth control services.

The focus of birth control work in Guizhou this year and for a time to come is on the rural areas. We must in particular get a good grasp of work in backward areas.

/9716
CSO: 4006/1194

EXPORTS RISE ONE PERCENT IN FIRST 4 MONTHS

HK071037 Hong Kong SOUTH CHINA MORNING POST in English 7 Jul 86 BUSINESS POST p 1

[By Peter Robinson]

[Text] Total export volume in the first 4 months of this year was only 1 percent higher than in the same period last year, according to Census and Statistics Department figures released at the weekend.

Re-exports were down 4 percent in volume, offsetting an improvement in domestic exports, which were up 5 percent. Prices of both domestic exports and re-exports were unchanged compared with the first 4 months last year.

Imports were 3 percent higher in terms of both price and volume. As a result, the terms of trade index (a ratio of the total-export price index to the import price index) dropped 3 percent.

Prices in these statistics are based purely on unit values and do not, in general, take into account changes in the composition or quality of goods. The volume of trade is derived from trade values by discounting the effect of price changes.

Comparing the year ended April 1986 with the year to April 1985, domestic exports fell by 3 percent and reexports increased 10 percent, giving an increase of 2 percent in the volume of total exports.

On the same comparison, the volume of imports increased by 4 percent, reexport prices were unchanged and prices of domestic exports and imports both dropped by 1 percent.

Comparing April with the same month last year, most categories of goods registered a fall in domestic export prices.

The radio category was down 11 percent, domestic electrical appliances were down 7 percent, metal ores and scrap down 5 percent, textile fabrics down 3 percent and textile yarn and threads down 2 percent.

Increases in domestic export prices were shown in travel goods and handbags, up 9 percent, watches and clocks up 5 percent, footwear up 2 percent and electronic components up 1 percent.

The volume of most domestic export groups was higher in April than in the same month last year.

Watches and clocks and the textile sector showed the biggest increase--both up 41 percent. Radios were up 29 percent, electronic components up 25 percent, textile yarn and thread up 25 percent, clothing up 23 percent, textile made-ups and related articles up 20 percent, metal manufactures up 9 percent, domestic electrical appliances up 2 percent and footwear up 1 percent.

Decreases in domestic export volume were shown in metal ores and scrap, down 51 percent, and travel goods, handbags and similar articles down 16 percent.

Import prices, comparing April with the same month last year, were up in raw materials and semi-manufactures by 2 percent and capital goods by 14 percent. Falls were recorded in fuels, down 32 percent, and foodstuffs, down 2 percent.

In the foodstuffs categories, there were many increases in volume over the same period, with the biggest growth seen in vegetables, live poultry, fruit, tea, coffee, meat and meat preparations and fish and fish preparations.

Decreases in import volume were shown in rice; cereal and cereal preparations (other than rice, wheat, and flour); milk, butter [words indistinct]; and cattle.

The import volume of many consumer goods increased over the same period, the largest increases being in watches, clothing and miscellaneous made-up articles of textile materials, and footwear.

However, decreases were shown in import volume over the period for household electrical appliances: radios, televisions, record-players and records, tape recorders and amplifiers, tobacco manufactures and passenger motor cars.

Most raw materials and semi-manufactures showed increases.

Decreases in import volume were shown in wool and other animal hair and base metals, excluding iron and steel.

Fuel imports rose by 67 percent in volume.

Volumes of capital goods to increase included transport equipment; office machines, construction machinery; scientific, medical, optical, measuring and controlling instruments and apparatus.

Increases in import volume were shown in textile machinery and electrical machinery.

The re-export volume of fuels increased 229 percent, with raw materials and semi-manufactures up 6 percent. Re-export volume of capital goods and consumer goods fell 23 percent and 1 percent respectively.

Domestic Exports By Commodity Groups

Comparing April '86 with April '86	Total Percent Value	Unit Percent Value	Total Percent Volume
Clothing	22	--	23
Textile fabrics	37	- 3	41
Radios of all kinds	15	-11	29
Electronic Components	27	1	25
Watches and clocks	48	5	41

--Equals negligible change under 0.5 percent

/8918
CSO: 4020/389

UNION BANK RESCUED BY U.S.-PRC JOINT VENTURE FIRM

HK010350 Hong Kong SOUTH CHINA MORNING POST in English 1 Jul 86 BUSINESS POST pp 1, 3

[By John Mulcahy, BUSINESS POST editor]

[Text] Union Bank of Hong Kong has been rescued by a mainland Chinese-U.S. Joint Venture after reporting a loss of $612.2 million for last year and a slump in shareholders' funds to $34 million.

The joint venture, Modern Concepts Ltd, is controlled by China Merchants Steam Navigation Co, which has about 68 percent, and Search International, which holds the remaining 32 percent.

In an 11th-hour deal signed at the weekend, Modern Concepts agreed to inject an initial $68 million into the bank and to acquire the entire holdings of former chairman Mr Oen Yin-choy and his family.

Modern Concepts will subscribe for 20.5 million new Union Bank shares at $2 each, and has sold a company called Search Asia Finance to the bank in exchange for 13.5 million new shares, also at $2 each, making the balance of $68 million. The acquisition of Oen shares was priced at 30 cents a share, and a similar offer will be made to all shareholders.

These transactions give Modern Concepts just over 61 percent of the bank. This could rise substantially if a planned rights issue fails to attract support from other shareholders.

According to details disclosed yesterday, a further $200 million will be injected into the bank and all shareholders will be given the opportunity to participate in the fund-raising exercise.

It is proposed to raise $100 million through a share subscription "to which share-holders of Union Bank will have the right to subscribe on a pro-rata basis," and to inject another $100 million by way of convertible preferred capital subscribed by Modern Concepts.

In the meantime (the joint venture) is making other arrangements to ensure there will be no further need for the line of credit currently available to Union Bank from the Exchange Fund," yesterday's announcement said.

At a press conference called by Wardley Ltd at Union Bank yesterday, and which got off to a belated and confused start, the chairman of China Merchants Steam Navigation, Mr Jiang Bo, stressed that the newly acquired bank would be kept at arm's length from the Bank of China.

China Merchants is the Hong Kong office of China's Ministry of Communications, and formerly held a minority stake in the Far East Bank, which was until recently controlled by the Chiu family.

According to the Union Bank accounts, published yesterday, shareholders' funds slumped to $34.82 million at December 31 from $590.42 million a year earlier.

It was disclosed at the press conference that a substantial part of the $600 million provisions for bad and doubtful loans relates to the bank's exposure to Indonesian interests.

Under Section 20 of the Banking Ordinance, licensed banks in Hong Kong must have a net worth of at least $100 million, which made it imperative to conclude the deal injecting new capital by yesterday, the reporting deadline for banks with a December 31 year-end.

A director of Search, Mr Bob Miller, included the term "rescue" in his explanation of the motives for investing in Union Bank, although he later emphasised that Mr Lee Ke-sze, a fellow director of Search, had been an executive at Union Bank for many years, and was closely aware of the bank's merits.

Mr Lee will assume the position of managing director and vice-chairman of Union Bank from today, with Mr Miller filling another vice-chairman's seat and Mr Jiang taking the chair.

Search was described in the announcement as a diversified international business in the fields of financial services, China trade, heavy industry and high-technology manufacturing, property investment, commodities and stock brokerage.

"Search International is also one of the major shareholders of Duty Free Shoppers Ltd, a pioneer and an innovator in establishing and developing the duty-free shopping industry," the announcement said.

Asked to elaborate on Search's reasons for doing the deal with Union Bank, Mr Miller would add only that his company had had a "long and pleasant relationship" with China Merchants Steam Navigation.

Mr Jiang, the China Merchants director, insisted the deal was on strictly commercial terms, but would not discuss detailed strategy, saying this would depend on the results of an examination of Union Bank's operations.

Mr Miller, in his preamble, said the deal had been done only after "an exhaustive investigation of Union Bank's accounts," and he congratulated the Banking Commission and Jardine Fleming for their contributions to the transaction.

Jarine Fleming, which will represent Union Bank's minorities in the transaction, was not formally represented at yesterday's press conference, and officials from the firm were unavailable last night.

The company has been managing Union Bank since March 27, when the Banking Commissioner, Mr Robert Fell, effectively assumed management control of the bank.

At the time, Mr Fell said the bank had been carrying on its business in a manner detrimental to the interests of depositors and creditors, and the Exchange Fund had made available a line of credit sufficient to ensure that all claims could be met in full and on time.

According to yesterday's announcement, the commissioner's direction will be withdrawn over a period of about a month, and the line of credit from the Exchange [Fund] will remain available until Jardine Fleming ceases management control.

Trading in Union Bank's shares, suspended on March 28, will not resume for the time being, on the instruction of the Securities Commission, pending a further announcement.

Application will meanwhile be made to the Stock Exchange of Hong Kong for the listing of 34 million new shares issued as a result of the capital injection by Modern Concepts, and the quotation and right to deal in new shares to be issued by way of a rights issue.

/8918
CSO: 4020/389

PROSPECT TO EXPAND RAIL LINKS WITH CHINA

HK030406 Hong Kong SOUTH CHINA MORNING POST in English 3 Jul 86 pp 1, 2

["Exclusive" by Nicholas Way]

[Excerpts] Plans for a $10 billion project at Hunghom Bay reclamation site will be put before the Kowloon-Canton Railway Corporation [KCRC] and the government within the next 2 months.

The feasibility studies, commissioned by the CKRC in January, call for a project that would greatly boost Hong Kong's rail network with China's vast and expanding transport infrastructure.

It involves a freight yard large enough to handle the expected upsurge in traffic, as well as an extension of the current Hunghom station to handle all China-bound passengers.

In addition, the plans will detail a massive development project above the railway yard, involving hotels, office blocks and 20,000 flats on the 39 hectare site which will dwarf nearby Tsim Sha Tsui East.

Among the high-powered consultants employed to undertake the studies were consulting engineers Maunsel Asia, Wong and Ouyang, accountants Coopers and Lybrand, realtor Jones Lang Wootton, URBIS and MVA Consultancy.

While the government and the KCRC board can reject the consultants' plans, it is believed the plans reflect the government-owned corporation's own development strategy for the site.

But the non-railway side of the project, which has already attracted interest from property developers, contains a potential time-bomb because of the Sino-British agreement which theoretically limits annual land development to 50 hectares.

Whether reclaimed land falls into this category remains to be seen, but the KCRC would strongly argue that the project is in the long-term interests of not only Hong Kong but China.

China is increasingly emphasising the need to expand its 52,000 km rail network, with U.S. $10 billion (about HK$78 billion) believed to be earmarked for the work.

In particular, China is only 2 years away from linking Shenzhen to Beijing with a double line. There is a double line form Beijing to Hengyang in Hunan Province, with the Shenzhen-Guangzhou double link to be completed this year.

This will leave the 500 km route from Guangzhou to Hengyang with a single line. Work on the second track will be slow because of the difficult terrain.

The KCRC's commercial director, Mr Abraham Razack, said completion of the double line would open up China's hinterland, offering Hong Kong the opportunity to develop another aspect of its entrepot role.

Mr Razack said China transported 1.4 million tonnes by rail last year. By the year 2006 it is expected to be shifting between 10 million and 11 million tonnes.

A commensurate increase in passenger traffic is also expected.

As Mr Razack said: "We are building for the future...to remain the gateway to China. Hong Kong must keep developing its transport infrastructure."

Another aspect will be linking Hunghom with the Kwai Chung container terminals, but this is unlikely before the turn of the century at the earliest.

Mr Razack said China's freight rail system is not yet geared to containers, a development which is a long way down the track.

But the KCRC is examining this option now, with the future possibility of linking up with terminals seven and eight.

/8918
CSO: 4020/389 END

JPRS-CEA-86-097

22 AUGUST 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-097

22 AUGUST 1986

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

NATIONAL POLICY AND ISSUES

Journal Reports on Transforming Rural Economic Structure
(JINGJI YANJIU, No 5, 20 May 86) 1

JINGJI YANJIU on Economic Growth Restrictions
(Wu Ji, et al.; JINGJI YANJIU, No 6, 20 Jun 86) 26

ECONOMIC DEVELOPMENT ZONES

LIAOWANG on Zhuijiang Delta Area's Achievements
(Wang Zhenhua; LIAOWANG, No 28, 14 Jul 86) 37

ECONOMIC MANAGEMENT

Inflation Rate Reduced to 3 Percent
(Wang Gangyi; CHINA DAILY, 19 Jul 86) 40

Plan To Revitalize 'Third-Line' Industries
(CHINA DAILY, 19 Jul 86) 42

Commission To Reduce Capital Construction Projects
(XINHUA, 21 Jul 86) 44

Factories Implement German Manager's Proposals
(XINHUA, 29 Jul 86) 45

Journal on Forms of Town Collective Enterprises
(Xing Yichu; JINGJI GUANLI, No 5, 5 May 86) 46

Paper Studies Enterprises Shares System
(Gu Tiefeng; JINGJI CANKAO, various dates) 51

Part 1 51
Part 2 53
Part 3 55

Achievements of Counties Carrying Out Reform Noted
(Sichuan Provincial Service, 22 Jul 86) 58

Anhui Radio Reviews Results of Economic Reform
(Anhui Provincial Service, 24 Jul 86) 60

Fujian Conference on Economic Reform Held
(FUJIAN RIBAO, 19 Jul 86) 61

Fujian Continues Commercial Management Reforms
(Liu Xianpeng; XINHUA Domestic Service, 24 Jul 86) 63

Gansu Radio Urges Good Atmosphere for Plant Managers
(Gansu Provincial Service, 24 Jul 86) 64

Gansu Meeting Urges Improving Enterprise Management
(Gansu Provincial Service, 26 Jul 86) 65

Guangxi Holds Conference on Economic Situation
(Guangxi Regional Service, 19 Jul 86) 66

Hebei Meeting Calls for Promoting Economic Work
(Hebei Provincial Service, 23 Jul 86) 68

Shaanxi Controls Capital Construction Scale
(Shaanxi Provincial Service, 24 Jul 86) 70

Shandong Issues Preferential Policies on Joint Business
(Shandong Provincial Service, 22 Jul 86) 71

Yunnan: He Zhiqiang Calls for Reform of Economic Structure
(Yunnan Provincial Service, 22 Jul 86) 73

Yunnan Meeting Announces Cooperation Projects
(Yunnan Provincial Service, 26 Jul 86) 75

Briefs

Capital Construction Investment 76
Fujian Promotes Economic Ties 76
Xinjiang Forum on Development Strategy 76
Guangdong Invigorating Enterprises Discussed 77
Guangzhou Honors Enterprise Winners 77

FINANCE AND BANKING

Guangdong Firms Raise Capital by Issuing Bonds
(XINHUA, 30 Jul 86) 78

Guangxi Meeting of Finance Bureau Chiefs Ends
(Guangxi Regional Service, 20 Jul 86) 80

Sichuan Finance, Tax Bureau Directors Meet
(Sichuan Provincial Service, 16 Jul 86) 81

Briefs
Guangxi Rural Insurance Work 82
Guangxi Collect More Taxes 82
Liaoning Tax Revenues 82

FOREIGN TRADE AND INVESTMENT

PRC To Buy, Move Swedish Steel Company
(AFP, 16 Jul 86) 83

Shanghai Approves 111 Sino-Foreign Joint Ventures
(Zhang Debao; WEN HUI BAO, 17 Jul 86) 84

Shanghai Promotes Foreign Investment Areas
(XINHUA, 24 Jul 86) 85

Shanghai Issues Foreign Business Regulations
(XINHUA, 25 Jul 86) 86

Tianjin To Open 8 Projects for International Tenders
(Paul Sham; SOUTH CHINA MORNING POST, 16 Jul 86) 87

Briefs
Shanghai Businesses Abroad 89

SPECIAL ECONOMIC ZONES

Briefs
International Finance Company Established 90
Shenzhen Output Figures Rise 90
Guangdong Economic Zone Output 90

LABOR AND WAGES

TU Deputy Chairman Interviewed on Renewed Union Movement
(Chen Bingquan; NEPSZAVA, 19 Jul 86) 91

JINGJI GUANLI on Wage Reform at Beijing Plant
(Xu Xiaojiu; JINGJI GUANLI, No 5, 5 May 86) 95

Gansu Radio Criticizes One-Sided View of Trade Union Work
(Zhu Guangyuan; Gansu Provincial Service, 23 Jul 86) 99

/9987

NATIONAL POLICY AND ISSUES

JOURNAL REPORTS ON TRANSFORMING RURAL ECONOMIC STRUCTURE

HK310930 Beijing JINGJI YANJIU in Chinese No 5, 20 May 1986 pp 10-24

[Economic research report by the Research Group on China's Rural Development: "On the Transfromation of National Economic Structure--Macroeconomic Environment of Rural Development in the New Stage" passages within slantlines published underlined]

[Author's note: First drafted in January and finalized in April 1986, this report was written by Zhou Qiren [0719 0366 0088], Du Ying [2629 7751] and Qiu Jicheng [6726 4949 2052], Chen Xiwen [7115 6932 2429], Gao Xiaomeng [7559 1420 5536], Deng Yingtao [6772 5291 3221], Bai Nansheng [4101 0589 3932], Liu Hong [0491 4767], and Ran Mingquan [0373 2494 3123] took part in discussing the final draft. Song Guoqing [1345 0948 7230], Hao Yisheng [6787 0001 3932], Yang Mu [2799 3092], Wang Xiaolu [3769 2556 7627] and Ding Ningning [0002 1337 1337] suggested important revisions, The Research Group on China's Rural Development has now been expanded into an institute, but is still directly under the Rural Policy Research Office of the CPC Central Committee Secretariat and the State Council Rural Development Research Center]

[Text] 1. In the new stage of national economic growth, emphasis will be placed on restructuring. (See "The New Stage of National Economic Growth and Rural Development" by the Research Group on China's Rural Development, carried in JINGJI YANJIU No 7, 1985.) In order to understand the circumstances and conditions underlying the new options open to rural development, the policies that ought to be taken, and the possible consequences, it is necessary to provide a continuous analysis for major changes in the economic structure.

It is a general rule that structural changes prompted by economic growth will almost invariably lead to profound changes in all important economic processes, economic variables and their inter-relationships. Structural changes have different features at different income levels. Thus, structural analysis cannot but touch on the numerous and complicated aspects of the economy. For easier understanding, this report will first describe the drop in the proportion of agriculture in the national economy, the most notable trend in the allocation of economic resources in the course of restructuring during the new stage of growth.

Part one--Drop in the Share of Agriculture: The Mainstream of Restructuring in the New Stage of Economic Growth

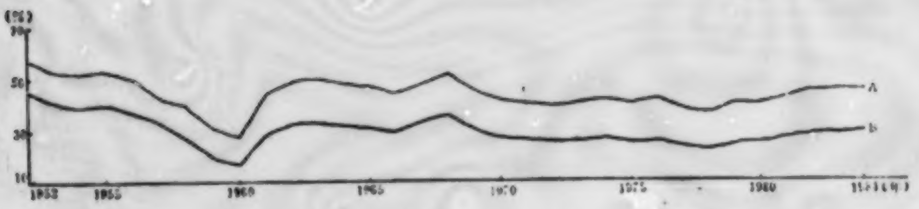
2. The drop in the share of agriculture, that is the drop in the proportion of agriculture in the national economy following the deepening of the industrial revolution, has long been noted. (See Note 6. Sources of materials consulted are listed at the end of this report.) In the evolution from a low income level to a moderately well-off level, in particular, the drop in the share of agriculture is undisputably precise and obvious in statistical terms.

World development indicators show that in all low-income countries, the proportion of agricultural output value in gross domestic product (GDP) dropped from 49 percent in 1960 to 37 percent in 1980, while the proportion of agricultural employment dropped from 77 to 72 percent. The drop in these two indicators in the lower-middle income countries was slightly bigger, at 14 and 15 percent respectively. (See Note 5, pp 222, 258)

3. The drop in the share of agriculture in the course of attaining a moderately well-off level is more closely related to growth in per-capita gross national product (GNP) than to changes in other aspects of the economic structure. For this reason, it can more precisely reflect the extent of transformation in the economic structure of a country. According to "Patterns of Development" by H. Chenery and M. Syrquin, when per capita GNP is between $100 and $1000, the fall in the share of food consumption is most conspicuous, correlation between such fall and changes in the income level is highest (the coefficient of determination is 0.82), and so is the degree of intercountry uniformity. It is precisely this drop in the share of food consumption that usually leads to the following changes in some other variables of the /demand structure/: A fall in the proportion of private consumption (with non-food consumption going up) and a rise in the proportion of accumulation. When the /production structure/ responds to changes in the [word indistinct] structure, the fall in the shares of primary production and employment is more conspicuous that changes in the shares of manufactures and services, correlation between such falls and changes in income is highest (the coefficient of determination being 0.75 in both cases), and disparities between countries are minimal. Moreover, the share of primary products in total imports and exports in the /trade structure/ also drops notably. As for structural changes in other aspects, such as education, urbanization, demographic changes and the distribution of income in society, although they are all related to changes in per capita income, and are the causes and effects of changes in "demand--production--trade" discussed above, the degree of correlation is low and the degree of non-uniformity between countries is high. (See Note 2) Thus, we may, when observing changes in the national economic structure from the angle of the industrial structure, consider the fall in the share of agriculture as the most sensitive variable of economic structural changes in the transition to a moderately well-off level.

4. To date, China still retains the most obvious characteristic of low-income countries--an excessive share of agriculture.

Figure 1: The Shares of Agricultural Output Value and Income in China (1952-1984) [Figure 1 is a two-line graph (lines A and B) plotting percentage (0-70) against time (1952-1984) showing:



Line A--Share of agricultural income in national income.
Line B--Share of agricultural output value in gross social output value.

The source given is: "China Statistical Yearbook, 1985" pp 23, 35]

Figure 1 shows the following characteristics in changes in the share of agriculture in China:

1) The fall of the share of agriculture in gross social output value and in the national income between 1953 and 1984 is very small, the annual drop being 1.4 percent and 0.8 percent respectively.

2) The falling trend is not a continuous one. On the whole, two falls (1953-1960 and 1968-1978) alternate with two rises (1961-1968 and 1978-1984).

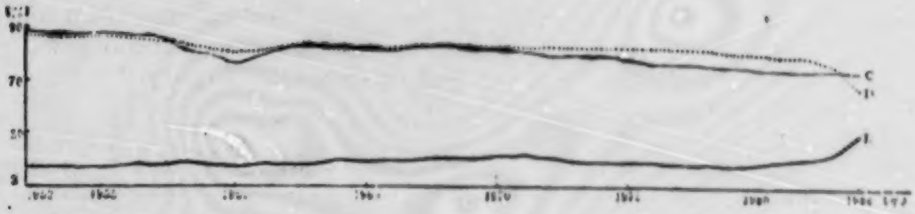
3) The lowest points in the share of agriculture, namely 1960 and 1978, coincide with the years of poorest economic performance in China.

4) The degree of correlation between the fall in the shares of agricultural output value, and income and the rise in the levels of gross social output value, national income and per capita national income is very low (the coefficient of determination being 0.34, 0.16 and 0.19 respectively). Moreover, the rate of increase of gross social output value and national income invariably /falls/ and per capita income invariably /drops/ a year or two after each continuous fall in the share of agriculture. (See Note 18, pp 22 and 23)

This special movement of the fall in the share of agriculture can only be fully understood if we bear in mind the following:

In the 26 years between 1952 and 1978, the shares of China's agricultural population and agricultural labor force remained remarkable stable: The percentage of the rural population in the total population dropped from 87.5 percent to 82.1 percent, the average annual drop being a mere 0.25 percent. The percentage of the agricultural labor force in the total population dropped slightly from 31.7 percent to 31.5 percent; the ratio of the agricultural labor force to social labor force dropped from 88 percent to 76.1 percent, the average annual drop being only 0.56 percent. (see Figure 2). In 1979, the ratio of China's agricultural to non-agricultural population (49 to 10) still remained at roughly the same level as in 1952. (See Note 4, p 132)

Figure 2: The Shares of China's Agricultural Labor Force and Population (1952-1984). [Figure 2 is a three-line graph (lines C, D and E) plotting percentage (0-90) against time (1952-1984) showing:



Line C--Share of agricultural laborers in total laborers.
Line D--Share of agricultural population in total population.
Line E--Share of agricultural laborers in rural population.

The source given is: "China Statistical Yearbook, 1984" pp 81, 107, 109]

By superimposing Figure 1 on Figure 2, one can easily discover that the fall in the shares of agricultural output value and income before 1978 /invariably occurred under the condition where the shares of agricultural population and employment remained basically unchanged./ This not only led to a drop in agricultural productivity but prevented overall social productivity from going up.

The situation changed after 1979. The share of agricultural population dropped to 68.1 percent in 1984 from the steady 80 plus percent since the late 1970s. (See Note 3, pp 23, 35) The fall in agricultural employment notably accelerated. It is estimated that the share of the agricultural labor force fell by more than 2 percent annually over these 5 years, nearly 4 times the average rate of fall in the preceeding 26 years. It is interesting to note that during this period, the shares of agricultural output value and income were /on the increase year after year/. (After 1970, however, the difference between list price and market price began to narrow, meaning that the real price of agricultural products was on the decline. If measured in real price terms, the share of agriculture might be falling after 1980. Because this method of analysis involves the correction of price distortions in relation to products of other economic sectors, statistics are still adhered to here.) In 1984, the share of agriculture in gross social output value increased by 6 percentage points compared with 1978 (with agriculture, animal husbandry and fishery going up by 3.3 percentage points and cultivation by 2 percentage points). This shows that agricultural productivity has gone up and given a tremendous boost to economic growth. The new problem lies in the fact that the rise in the share of agricultural output value cannot continue indefinitely because, once beyond the critical point of sufficiency, the share of consumption demand for agricultural products in total social demands will unavoidably fall.

5. If we further look into the causes for the abnormalities in the fall of the share of agriculture in China, we may discover some of the factors that inhibit normal changes.

First, as a direct result of prolonged high accumulation at a low income level, the share of consumption for personal disposal is on the low side. In 1960 the proportion was 76 percent, 6 percentage points lower than the mean value of other low income nations; in 1982, it was 70 percent, 16 percentage points below other low income nations (about 20 percentage points, after the correction for price deviations). (See Note 5, p 226) The low level of consumption and its low rate of growth keeps the proportion of food consumption high and makes it quite impossible to drop substantially.

Second, guaranteeing the people's basic needs under conditions of low income has become China's unique mode of expenditure: Among the urban population, a fairly large part of residents' personal consumption is expended, not by the individuals themselves, but in the form of public consumption and different kinds of subsidies (plus rations). Thus, some not-for-sale items are practically without substitution elasticity or income elasticity in relation to personal expenditure. (Take urban housing for example: Per capita rent after the deduction of workers' livelihood consumer price index only increased by an average annual rate of 0.24 percent between the years 1957 and 1983). Some consumption goods such as food, whose prices were distorted by subsidies, were in a state of perpetual shortage because on the one hand they discouraged supply and on the other hand encouraged consumption growth. Among the rural population, the proportion of self-sufficiency in consumption is exceedingly high. In particular, food consumption relied mainly on self provision. In short, the amount of monetary expenditure at the disposal of the urban and rural population was very small, and consumer's rights of self-determination were very limited.

The combination of the two factors discussed above produced a very abnormal phenomenon: The "[word indistinct] Coefficient" remains high after per capita national income has gone up. (See note 5, p 464)

6. On the other hand, the non-agricultural sector has little ability to take in the transfer of the agricultural labor force and cannot fully stimulate the transfer and flow of the agricultural population to the non-agricultural sector.

This is primarily determined by a series of historical factors, particularly factors of demographic structure, although the choice of development strategy and economic structure has added to its adverse effects. Between the 1950s and 1970s, the rate of nonagricultural employment in society gradually dropped. The cities and large industries were as yet unable to absorb the surplus rural labor force because their own employment burden was heavy enough as it was. In 1979, among the urban newly employed, 708,000 people, or 7.8 percent, came from rural areas. In 1983, the number was registered as 682,000, or 10.9 percent. In 1984, the proportion once rose to 17 percent, but still the absolute figure was only 1,230,000 (See Note 10, p 235) The absolute number of China's agricultural working population still amounted to 325 million, nearly double the 1952 figure. (See Note 10, p 213)

Most serious of all is that even the spontaneous transfer of peasants to the non-agricultural sector (selling handicrafts, doing odd jobs, engaging in industrial work, doing business) when all hopes of state recruitment have gone, has long been suppressed. The peasants are firmly tied to their native soil by the systems of household registration, ration and employment, and the continuous criticism of the so-called "spontaneous forces of small production" (a term which has practically become the synonym for all non-agricultural employment and non-agricultural income). This artificial restriction on the transfer and movement of the rural labor force was initially devised to force down the cost of agricultural labor and ensure the fulfillment of the set strategic goals under the special mode of accumulation. However, because of the mistakes in the choice of economic structural pattern, these factors of constraint became economic orders and rules that lag a long way behind and led to the abnormal form of the falling trend in the share of agriculture. This has even given cause to a very deep-rooted prejudice: A peasant's duty is to provide food and raw materials for the country's industrialization and any other occupational ventures on the economic structure and on economic policies can still be felt today.

7. It appears that China's structural productivity is well hidden behind a very strong and hard structural casing. Whether or not we can effectively narrow the gap between us and the progress of world modernization depends to a very large extent on whether or not we can find the strength and the right historic moment to "shell" the touch casing.

The situation since 1979 has been very encouraging: The proporation of residents' consumption in the national income is on the rise; the reform of the pricing and subsidy systems has paved the way for the further use of money by urban and rural residents in paying their livelihood expenses; the production of various consumer goods has gone up by a big margin; new spheres of consumption have been opened; industry, commerce and services under various forms of ownership have thrived in the urban and rural areas; and constraints on the movement and reorganization of essential factors of production in the countryside are being smashed one by one. All these have struck powerfully at the old economic structure and pattern. The termination of the prolonged shortage of agricultural products in particular, has initiated a fall in the shares of agricultural output value and income. In fact, after making deductions for overstocked agricultural products, the trend of a rise in the share of gross agricultural output value and income--as a necessary compensation for the lack of agricultural products in the past 2 decades and more--had stopped since 1983. The fluctuations in agricultural production (particularly grain production) since 1985 shows that the share of agriculture in gross social output value and national income will in line with the law of the commodity economy, fall in the same way as the trend of changes in the share of agriculture in population and in labor force.

In short, the trend of a drop in the share of agriculture in our country /is changing from an abnormal to a normal state/, which indicates that the productive forces of our economic structure are being released on a large scale.

Part Two--The Coordination of Deviations: Possible Directions for China's Economic Restructuring

8. Fundamentally speaking, while the fall in the share of agriculture is quite certain, the prospects of the overall transformation of the national economic structure it touches off is still not quite certain. In order to have a better grasp of the issue, the following method is used in this report: A comparison between the present state of the Chinese structure and the statistically treated

"standard structure" of other countries (grouped according to scales and income levels) at the same income level. Through this comparison, which bears the generality of statistics, we may understand the obvious features of our existing structure, analyze the causes of its formation and the principal factors that effect changes in these features, and study the constraints and possible directions for their continued changes at the present starting point.

Please refer to the following table:

Table 1: Deviations in China's Economic Structure (1981)

Items of Comparison				Chinese Structure When per capita GNP is at $300 (1981)			"Standard Structure"		
1	2	3	4	5	6	7	8 $300	9 $600	10 $900
1	s	26	0.71	0.294	0.293	0.355	0.135	0.171	0.190
2	i	25	0.40	0.281	0.282	0.375	0.158	0.188	0.203
3	f			0.013		0.010	0.023	0.016	0.012
4	gr	25	0.64	0.277			0.153	0.181	0.202
5	tr			0.110			0.129	0.153	0.173
6	edexp			0.44			0.033	0.033	0.034
7	schen	21	0.72	0.893			0.375	0.549	0.637
8	i	25	0.40	0.281	0.292	0.345	0.158	0.188	0.203
9	c	31	0.15	0.636	0.565	0.501	0.720	0.686	0.667
10	g			0.078	0.142	0.144	0.137	0.134	0.135
11	cf	15	0.82	0.456	0.364	0.364	0.392	0.319	0.275
12	vp	30	0.75	0.421	0.378	0.420	0.452	0.327	0.266
13	vm	23	0.71	0.406	0.356	0.260	0.149	0.215	0.251
14	vu	33	0.32	0.103	0.102	0.151	0.061	0.172	0.079
15	vs	20	0.30	0.071	0.184	0.169	0.338	0.385	0.403
16	e			0.041		0.093	0.195	0.218	0.230
17	ep	46	0.67	0.019		0.043	0.137	0.136	0.131
18	em	139	0.31	0.022		0.043	0.019	0.034	0.046
19	es	79	0.21			0.001	0.031	0.042	0.048
20	m	47	0.34	0.041		0.081	0.218	0.234	0.243
21	1p	24	0.75	0.716			0.658	0.557	0.489
22	1m	31	0.74	0.133			0.091	0.164	0.206
23	1s	29	0.67	0.152			0.251	0.279	0.304
24	urb	29	0.67	0.210			0.220	0.382	0.439
25	BR			0.021			0.449	0.377	0.338
26	DR			0.006			0.186	0.135	0.114
27	DIST						0.541	0.557	0.554

Items of Comparison		Large Country Pattern			Deviations between Chinese Structure and "Standard Structure" and Large Country Pattern		
1	2	11 $300	12 $600	13 $900	14 7--8	15 7--11	16 7--10
1	s	0.140	0.182	0.199	0.220	0.215	0.165
2	i	0.157	0.199	0.216	0.187	0.188	0.142
3	F	0.107			-0.013	-0.007	-0.002
4	gr	0.133	0.156	0.178	0.124	0.144	0.075
5	TR				-0.019		-0.063
6	EDEXP				0.011		0.010
7	SCHEN	0.450	0.591	0.667	0.518	0.443	0.256
8	I	0.157	0.199	0.216	0.187	0.188	0.142
9	C	0.768	0.709	0.682	-0.219	-0.267	-0.166
10	G	0.099	0.109	0.116	0.007	0.045	0.009
11	Cf				-0.028		0.089
12	Vp	0.458	0.320	0.254	-0.032	-0.038	0.154
13	Vm	0.171	0.253	0.292	0.111	0.089	0.009
14	Vu				0.090		0.072
15					-0.169		-0.234
16	E	0.130	0.123	0.123	-0.102	-0.037	-0.137
17	Ep	0.082	0.062	0.049	-0.094	-0.039	-0.088
18	Em	0.016	0.029	0.038	0.027	0.030	
19	Es				-0.027		-0.044
20	M	0.149	0.143	0.142	-0.137	-0.068	-0.162
21	Lp	0.596	0.493	0.404	0.058	0.141	0.227
22	Lm	0.215	0.252	0.348	0.042	-0.077	-0.073
23	L2	0.190	0.244	0.308	-0.099	-0.015	-0.152
24	URB				-0.010		-0.229
25	BR				-0.425		-0.317
26	DR				-0.180		-0.108
27	DIST						

Notes on Table 1:

1. Columns 1 and 2 in the Table refer to the serial numbers of the items of comparison and the abbreviations of indexes. They are: 1--Gross domestic saving as percentage of GDP; 2--Gross domestic investments as percentage of GDP; 3--Capital inflow (net import of goods and services) as percentage of GDP; 4--Government revenue as percentage of GDP; 5--Tax revenue as percentage of GDP; 6--Education expenditure by government as percentage of GDP; 7--Primary and secondary school enrollment ratio; 8--Same as 2; 9--Private consumption as percentage of GDP; 10--Government consumption as percentage of GDP; 11--Food consumption as percentage of GDP; 12--Primary output as percentage of GDP; 13--Industry output as percentage of GDP; 14--Utilities output as percentage of GDP; 15--Services output as percentage of GDP; 16--Exports as percentage of GDP; 17--Primary exports as percentage of GDP; 18--Manufactured exports as percentage of GDP; 19--Services exports as percentage of GDP; 20--Imports as percentage of GDP; 21--Share of primary labor; 22--Share of industry labor; 23--Share of

service labor; 24--Urban percentage of total population; 25--Birth rate; 26--Death rate; 27--Share of highest 20 percent in distribution of income and share of lowest 40 percent in distribution of income. (See Note 2, p 9)

2. Column 3 refers to the standard deviations with relevant items in "Patterns of Development" By H. Chenery and M. Syrquin.

3. Column 4 refers to the correlation coefficient between numerical changes for the respective items and changes in the level of per capita GNP.

4. Column 5-7 refers to data in the Chinese structure, of which Column 5 refers to statistics based on the concept of the net value of material products, Column 6 refers to numerical values adjusted in accordance with the GDP concept of depreciation and services listed under Column 5. Column 7 refers to further adjusted price errors. (See Note 8, various tables)

5. Columns 8-10 refer to the "patterns of development" for 101 countries (1950-1970) made by H. Chenery, giving the structural coefficients at $300, $600 and $900 per capita GNP levels (all adjusted to 1980 dollar level). (See Note 2)

6. Columns 11-13 refer to statistical regression patterns for 16 large semi-industrial countries, giving the structural coefficients at $300, $600 and $900 per capita GNP levels (all adjusted to 1980 dollar level. (See Note 2)

7. Column 14 refers to the difference between Columns 7 and 8, showing the structural deviations between China and the "standard structure" at the $300 per capita level. Where data is not given in Column 7, data provided in Columns 5 or 6 is used.

8. Column 15 refers to the difference between the data cited in columns 7 and 11, showing the structural deviation between China and the large-country pattern at the $300 per capital GNP level.

9. Column 16 refers to the difference between the data cited in Columns 7 and 10, showing the structural deviation between China and the "standard structure" at the $900 per capita GNP level.
[End of notes on Table 1]

9. Taking as our items of comparison the basic economic variables used in "patterns of development in the world" and $300 per capita GNP as our time-series level, we have compared China's economic structure with 1) The regression statistics for 101 countries and 2) The structural pattern of 16 large semi-industrial countries. Table 1 shows the results of comparison.

Judging from Table 1, China's economic structure shows obvious divergent features compared with "standard structures" in general.

Seen from the /demand structure/, the proportion of investment in our country not only far exceeds the low-income countries (higher by 18.7 and 18.8 percent respectively when compared with the "standard structure" and the "large-country service labor; 24--Urban percentage of total population; 25--Birth rate; 26--Death rate; 27--Share of highest 20 percent in distribution of income and share of lowest 40 percent in distribution of income. (See Note 2, p 9)

2. Column 3 refers to the standard deviations with relevant items in "Patterns of Development" By H. Chenery and M. Syrquin.

3. Column 4 refers to the correlation coefficient between numerical changes for the respective items and changes in the level of per capita GNP.

4. Column 5-7 refers to data in the Chinese structure, of which Column 5 refers to statistics based on the concept of the net value of material products, Column 6 refers to numerical values adjusted in accordance with the GDP concept of depreciation and services listed under Column 5. Column 7 refers to further adjusted price errors. (See Note 8, various tables)

5. Columns 8-10 refer to the "patterns of development" for 101 countries (1950-1970) made by H. Chenery, giving the structural coefficients at $300, $600 and $900 per capita GNP levels (all adjusted to 1980 dollar level). (See Note 2)

6. Columns 11-13 refer to statistical regression patterns for 16 large semi-industrial countries, giving the structural coefficients at $300, $600 and $900 per capita GNP levels (all adjusted to 1980 dollar level. (See Note 2)

7. Column 14 refers to the difference between Columns 7 and 8, showing the structural deviations between China and the "standard structure" at the $300 per capita level. Where data is not given in Column 7, data provided in Columns 5 or 6 is used.

8. Column 15 refers to the difference between the data cited in columns 7 and 11, showing the structural deviation between China and the large-country pattern at the $300 per capital GNP level.

9. Column 16 refers to the difference between the data cited in Columns 7 and 10, showing the structural deviation between China and the "standard structure" at the $900 per capita GNP level.
[End of notes on Table 1]

9. Taking as our items of comparison the basic economic variables used in "patterns of development in the world" and $300 per capita GNP as our time-series level, we have compared China's economic structure with 1) The regression statistics for 101 countries and 2) The structural pattern of 16 large semi-industrial countries. Table 1 shows the results of comparison.

Judging from Table 1, China's economic structure shows obvious divergent features compared with "standard structures" in general.

Seen from the /demand structure/, the proportion of investment in our country not only far exceeds the low-income countries (higher by 18.7 and 18.8 percent respectively when compared with the "standard structure" and the "large-country pattern" at the $300 level). The proportion of manufacturing, however, is similar to that of the middle-income countries (higher by 0.9 percent compared with the "standard structure" at the $900 level). Because the proportion of utilities production is high, the scale of services production seems unusually small by comparison (lower by 16.9 and 23.4 percent respectively compared with the "standard structure" at the $300 and $900 levels).

Seen from the /employment structure,/ the proportions of employment in primary production and manufacturing in our country exceed those corresponding countries (higher by 5.8 and 4.2 percent respectively compared with the "standard structure" at the $300 level, but employment in manufacturing is lower by 8.2 percent compared with the "large-country pattern" at the $300 per capita level). The proportion of employment in services, however, is low (lower by 9.9 percent compared with the "standard structure" at the $300 level).

Seen from the trade structure and other important indexes of socio-eocnomic development, the deviations between China and general structures are just as conspicuous.

10. The huge deviations between China and ordinary development patterns, essentially speaking, are neither caused by the force or historical traditions nor by the special constraints of natural resources. The general understanding is that China's over-eagerness to attain the goals of national industrialization and policy of high accumulation has led to the formation of a heavy-industry oriented structure, undercut consumption funds and produced major imbalances and serious dis-equilibrium in macroeconomic movements.

However, there exist examples to the contrary which are incompatible with the logic contained in the above criticism.

For example, Japan is also a country with high accumulation. In 1956 when per capita GNP was merely $115 (equivalent to $500 in 1980), the formation rate of domestic fixed assets was already as high as 17.6 percent (see Note 1 pp 62, 64), and investment as a percentage of GDP was 32 percent. In the early 1960s, Japan's rate of investment reached 33 percent (all coming from domestic saving). In the decade or so that followed, gross domestic investment in Japan grew at an average annual growth rate of 14.6 percent, surpassing the growth rates for both GNP and consumption, and constituting the basic driving force of high-speed economic grwoth. Even in the early 1980s, Japan's domestic investment as a percentage of GDP still stood at 31. Among industries, the share of heavy and petrochemical industrial production, which had never gone below 40 percent since the 1940s, reached 56.4 percent in 1960, 62.2 percent in 1970 and 61.5 percent in 1978. This proportion was much higher than that of China's. It may even be said that Japan purposely chose a big structural deviation as its development strategy. However, Japan's high accumulation on top of its "heavy-industry oriented structure" not only has not undercut consumption but has rapidly raised the levels of national income and consumption. Between 1960 and 1982, Japan's annual per capita growth rate was registered at 6.1 percent; private consumption grew at an average annual rate of 9 percent in the 1960s and 4.1 percent in the 1970s, ranking among the leading market-economy industrial countries of the period in both cases. (See Note 5, p 225).

Analyzed from the angle of structure, the secret in Japan's success lies in the fact that while purposely choosing a strategy of excessively heavy investment and industrial structures, /it also controls the coordination of various other economic processes and this big deviation/. For example, back in the days when its per capita income was more or less the same as that of China's (1914-1935), the proportion of Japan's manufactured exports in its GNP had already risen from 7 to 9 percent. Since the 1960s, this proportion has always been kept at above 10 percent. Moreover, the proportion of heavy and petrochemcial industrial goods in Japan's manufactured exports has been steadily going up, being registered at 39.7 percent in 1960 and 58.8 percent in 1981. (See Note 5, p 237) The heavy export structure matches the heavy investment and industrial structures. In short, Japan's success lies not so much in its choice of a strategy which puts more weight on the heavy and petrochemical industries but in its ability to maintain basic coordination between all economic processes and its strategic choice.

11. Numerous similar examples can be found in post-war economic history. It is interesting to note that practically every structural deviation (such as low wages, low consumption, heavy foreign debts, light-industry oriented production, heavy-industry oriented production, outward-looking structure and inward-looking structure) has successful precedents. By comparing the statistical observation value of the economic structures of over 100 countries with the "standard structure," we have discovered that those countries which have seen a rapid growth of per capita GNP also happen to be countries with fairly big deviations in their structural parameters. The structural data of the 12 countries which have attained an annual growth rate of 5 percent and above in per capita GNP between the years 1960 and 1980 show that no single country has a disparity value between its structural indexes and the "standard structure" that is below 5 percentage points, but there are five countries which show a disparity of over 10 percentage points. This is a convincing indication that structural deviation may also bring about high-speed economic growth.

All successful countries have managed to bring about some kind of coordination between their structural deviations.

The following experience types, in bringing about harmony between structural deviations, furnished by countries which have achieved sustained high-speed growth, may prove very stimulating in our pondering of this issue: 1) Countries with a high proportion of savings and investment and a low proportion of consumption, with resources fairly evenly allocated to various industries and between imports and exports (such as Japan); 2) Countries with a low proportion of savings and a high proportion of consumption and investment, which chiefly rely on manufactured exports to balance capital inflow (such as South Korea); 3) Countries with a high proportion of accumulation but a low degree of urbanization, which have then developed capital-intensive manufacturing (Yugoslavia); 4) Countries where heavy capital inflow and a high degree of urbanization have led to the early maturity of services, which in turn results in services exports (Jordan); 5) Countries which have attained a fairly high degree of urbanization in a situation where private consumption is low and consequently capital inflow is small and the rate of domestic investment is low (Brazil).

It thus appears that the problem should not be boiled down to whether or not the choice of development strategy has brought about structural deviations. What is at issue is /whether or not the institutional system, operating mechanism and maneuvering ability of a country is capable of bringing about better coordination between these deviations/ so that ties which are conducive to speeding up the creation of wealth in the course of their smooth circulation can be established between various aspects of the economic structure.

12. The crux of China's structural problems lies precisely in the presence of acute disharmony between deviations.

For example, China's manufactured exports have never come within the region of 5 percent of GNP, and the proportion of heavy manufactured goods in total exports have never reached 10 percent. (See Note 5) Thus, the result of high accumulation and giving priority to the development of heavy industry--an inflation in heavy industrial production--has no hope of finding fulfillment in the international market and has no way of quickly producing returns and becoming a source of accumulation.

Seen from the characteristics of the domestic demand structure, the prolonged preservation of a state of affairs where the share of consumption is kept small and the rate of growth is kept very low has restricted the residents' nonfood consumption, particularly the growth of durable consumption and of service consumption. This has led not only to the continued downplaying and even dwindling of the consumer and service industries, which have greater employment elasticity in the production structure, but has aggravated the self-orientation of the heavy industrial product mix to an inextricable state. Thus, there is disharmony between the deviations in the domestic demand structure and the stress on heavy industry in the production structure. This problem becomes increasingly more serious in a stage of development when the foundation for industrialization has by and large been completed and a change is in order in the content of "heavy industry," so much so that it poses a major obstacle to the attainment of better economic benefits for society as a whole.

13. Conventional industrialization theories hold that the ratio of the net output value of consumer goods industries to that of capital goods industries (that is, the Hoffman coefficient) will drop as industrialization progresses. The rise in the share of heavy industry in the industrial structure thus appears to be a confirmed rule, and this has produced widespread influence in the choice of development strategy by many countries. However, more detailed test and study subseqeuntly conducted, indicate that after the initial stage of industrialization, the "Hoffman coefficient" will cease to drop; in other words, teh share of capital goods will cease to increase. At such a time, the continued growth the proportion of "heavy industry" is preconditioned by the rise in the share of consumer goods production within the heavy industrial sector. For example, in Japan between the years 1955 and 1971, the proportion of the metallurgical industry in the manufacturing sector changed from 17.0 percent to 17.8 percent, that of the chemical industry dropped from 11.0 percent to 8.0 percent, while that of the machine-building industry rose from 14.8 percent to 32.5 percent. The boost for the latter mainly came from automobile and electrical appliances production (in 1978 the auto production alone accounted for 31.3 percent of the output value of the machine-building industry). This was in keeping with the rise in national income and with changes that had already taken place in the structures of residents' consumption and exports. (See Note 11, pp 57-64)

It can thus be maintained that if China does not turn promptly to the expansion of domestic and international industrial goods markets, and establish new coordinating links between "income-demand-product mix-resources allocation," not only will we be unable to further reorganize the basically completed industrial system and give full scope to this system and achieve better industrial performance, but the deepening of industrialization, that is, the continued rise in the proportion of heavy industry with its high rate of added value, will also lack sufficient driving force. In the new stage of growth, it is of course important that we should reconstruct such infrastructure as energy and transport to keep abreast of the above-normal development of manufacturing, but what is more important is that we must also /reconstruct coordinating links between the demand structure on the one hand and production and trade structures on the other/ and devise new modes for running the national economy that make effective use of resources.

14. From the above analysis, we can clearly see that the economic restructuring now confronting China does not simply mean that we are going to correct certain structural deviations in isolation. Neither is our cardinal choice a one-level issue of choosing between "light-industry orientation" and "heavy-industry orientation" or between "high accumulation" and "low accumulation." The real difficulty is now to, in the presence of above-normal deviations that exist in the flanks of our structures of accumulation, consumption, investment, production, employment, distribution, trade, and so on, establish new economic processes that can bring about the most essential coordination between these deviations in the transition to the moderately well-off level.

Part Three--The Constraints Confronting the Coordination Strategy and the Way Out

15. Should China follow the logic of standard structural changes and substantially correct the existing deviations so as to return to the "standard state" at the $300 per capita GNP level, and then expect it to reach a moderately well-off level through the "standard transformation process," thereby laying the foundations for a new structure? We are forbidden by reality to make such a choice, because in the near and intermediate future the following two situations are, to a large extent, given:

1) /It is difficult to substantially reduce investment and consumption./ This is not only because the huge investment accumulated over the years is confronted with large-scale technological transformation, but also because the direction of investment hitherto neglected but at the same time having lead significance--infrastructure construction which usually requires substantial investment--badly needs making up. Moreover, new investment is needed to satisfy the new consumption trend. If we substantially reduce investment inspite of everything, we might adversely affect China's efforts to develop into a middle-income country.

2) /It is difficult to enlarge net capital inflow./ Because large countries have sufficiently large domestic markets, the degree of their openness (that is, the volume of import/export trade as a percentage of GNP) is usually quite low. Statistical data show that at the $300 per capita GNP level, the degree

of openness of large countries is 13.4 percent lower compared with the "standard pattern"; and at the $900 per capita GNP level, 20.8 percent lower. Moreover, be it the standard structure or the large-country pattern sustained foreign trade deficits invariably occur in the transition from a low income level to a middle income level. These two factors cannot but have their effects on China. The fact is, China's degree of openness in the past was 10.5 percent lower in comparison with the large-country pattern. Of course we cannot thus maintain that foreign trade can only produce a small impact on China's future economic pattern forever. Nevertheless, granting that China's manufactured exports could increase at an annual growth rate of between 13 and 14 percent and would account for 10 percent of GNP at the $800 per capita GNP level (only around 3 percent at the moment), they would chiefly be used to break the ossified relationship between domestic demand and supply, or to pay for the possible expanded imports of primary products. There is no reason to be over-optimistic about an increase in net capital inflow just because foreign debts are introduced on the basis of an appropriate trade deficit.

If we ignore the two basic constraints discussed above and venture to substantially reduce the shares of accumulation and investment and increase net capital inflow without any restraints, China may have to pay very dearly in its economic development in the intermediate future.

16. This being the case, we will soon discover in our initiative to increase the proportion of residents' consumption along the direction of coordinating existing structural deviations that there is actually very little room for readjustment in this respect. Other than suitably reducing the proportion of residents' consumption (in the "standard transformation process," the proportion of public consumption only drops by 0.2 percent points in the $300-$900 per capita GNP region), it seems that the inertial low share of residents' consumption will be maintained to a very large extent.

The thing is, the small share of residents' consumption in China as a percentage of GNP, which is unique and above-normal, has as its foundation the barring of the rural residents, who account for 80 percent of the population, from the process of industrialization, and the restrictions on the development of the commodity economy. Now this foundation is fundamentally shaken. The rapid rise in the level of residents' consumption and the appropriate increase of its growth rate cannot be held back. In fact these two factors themselves constitute ample and necessary conditions for digestion of the existing fruits of industrialization, and are stimulants for effective increases in production and investment in the new stage of growth.

It can thus be seen that the difficulty lies in the fact that continuing to maintain high accumulation and rapidly increasing residents' consumption are both necessary for maintaining contradiction between accumulation and consumption is perhaps the eternal contradiction in economic processes. Now it takes on concrete content that is closely related to the strategic issue of China at the present stage--the coordination of structural deviations. If we follow the conventional regulatory method, that is, letting contradictions and conflicts pile up and eventually carry out a major readjustment, the shock to the national economy will be too great. If we advocate putting stress on the service industry as another development option, we may still find ourselves faced with latent antagonisms and conflicts in the end. (The economizing of funds and the attainment of better benefits which large-scale development of services may bring about, are preconditioned by high investment for speeding up urbanization. The hidden conflict here is: Efforts to increase the demand for services through increasing the share of private consumption, may be rendered unsuccessful because of a fall in the rate of investment or a slowing down in the process of urbanization and infrastructure construction. On the other hand, if we rely on a high rate of investment to boost urbanization, the demand for services may, in a not-too-short urban construction cycle, appear inadequate because of the suppression of the recovery of the rate of consumption. We will have a separate discussion on the correctness or otherwise of this view.) Thus, this dilemna confronting the coordination of China's structural deviations is not to be slighted.

17. The special contradictions confronting China's economic restructuring are destined to be irresolvable under the conventional economic system and the existing mode of resources allocation.

According to the old structure, the state directly obtains high accumulation in the primary distribution of the national income and concentrates spending on highly organic heavy industry. The defects of this structure are: The ineffective use of funds associated with overconcentralized decisionmaking in investment has barred the transfer of more low-income earners to sectors of high productivity, and rendered it impossible to attain full employment in the industrailization process for a long period of time. This also affects the extent of exploitation and utilization of other industrial resources, so that despite an intensity of manpower mobilization for some resources, the rate of full employment for all resources is low. As a fundamental cuase of the long-term preservation of the share of low-income residents and the low rate of increase in their income, this also results in our inability to enlarge the capacity of our domestic market and the deterioration of the market function, with demand guiding supply, and so on. On the whole, China's /rarest resources/ (funds, technology and trained personnel) have /a very low rate of utilization efficiency/ because the products are never oriented toward the final product market, while its /richest resources/ (manpower) are /not well developed/ because they cannot be fully channeled into the production and consumption processes. Between 1952 and 1981, the input of composite essentials increased at an average annual rate of 6.3 percent while added value only increased by 6 percent a year on the average and the productivity of composite essentials even dropped by 0.3 percent annually. (See Note 8)

18. Our comparison and study shows that only 20 percent of the economic growth rate can be explained by changes in the accumulation rate; the rest has to be explained by the productivity of composite essentials. Thus, /the characteristics of the economic process that shape accumulation and consumption cannot but have a decisive effect on economic growth/.

We have, in the foregoing paragraphs, cited Japan as an example of high accumulation. However, the main characteristics of Japan's economic process is that individuals and enterprises get the lion's share in the primary distribution of the national income, and cross-society high accumulation is utlimately achieved through a remarkably high rate of personal savings and the capital strength of the enterprises themselves, with a well-developed banking system and a multitude of investment bodies as intermediaries. Between 1955 and 1970, surplus private funds of individuals in Japan totaled nearly 40 billion yen and per capita savings rate was between 15 and 20 percent. During the same period, per-capita GNP increased from $280 to $1,960, while the per capita monetary assets (mainly in the form of bank savings) of the residents increased from $160 to $1,880, an increase from 57 percent of per-capita GNP to 96 percent. (See Note 14, p 4) The high rate of savings lent support to a sharp increase in lon-governmental investment in equipment, and the latter has given a powerful boost to the high-speed development of Japan's economy.

In other words, Japan's high accumulation is the ultimate result of a fairly complicated economic process (national income--personal and enterprise income--savings and other monetary links--multitudes of investment bodies--high accumulation). The Japanese process is not only capable of providing more jobs in banking and the tertiary industries, increasing the chances of full employment, and augmenting incomes engendered from these links (wages, profits and revenue, which will in turn boost savings), but has laid a solid foundation within the system for improved accumulation and investment efficiency, because the process brings social funds into the channel of redistribution which has banks at its core. More and more people are actively involved in the process of industrialization and modernization. Full employment brings about a continuous increase in residents' income, which in turn pushes up the rate of per-capita savings and the amount of accumulation and constitutes a kind of continuous self-motivation. Between 1960 and 1973, the average annual growth rate of the imput of composite elements in Japan was 6.4 percent, but the average annual growth rate of added value was 10.9 percent and the annual growth of the productivity of composite essentials also reached 4.5 percent. (See Note 8) Even if the rates of accumulation ultimately attained by different economic processes are roughly the same, the effects they have on economic development may differ vastly due to differences in the efficiency of the utilization of composite elements.

A revelation gained from this comparison and study is that in our efforts to coordinate the structural deviations in our economy, the fundamental way out lies in changing the characteristics of the economic process.

Part Four--Reform of the Economic Structure and Changes in the Economic Process

19. An economic process with poor efficiency is not preordained to be unchangeable. The mainstream of urban and rural economic restructuring in China in recent years has been to rapidly increase total national wealth through changing the mode and improving the efficiency of the utilization of resources. In the new generating process, the characteristics of our economic process are beginning to undergo some important changes.

To begin with, there is an obvious increase in the proportion of income at the disposal of individuals in national income. Between 1979 and 1984, the average annual rate growth of peasants' per-capita net income was 17.6 percent, while that of per-capita income of families of staff and workers available for living expenses was 11.5 percent. After making deductions for price factors, which were registered at 14.8 percent and 8.2 percent respectively, both fared better than the annual growth rate of per-capita national income (6.9 percent) in the corresponding period. (See Note 10, pp 34, 530, 551) These changes are usually summarized as "consumption growth," or referred to by the general term "inflation of consumption funds." However, both these terms overlook the fact that in present-day conditions, /the personal income of our residents is no longer basically equivalent to private consumption/. During these 6 years, residents' per-capita cash income went up by an average 16.3 percent annually, surpassing the annual growth rate of per-capita cash expenditure (13.7 percent); per-capita purchasing power with year-end surpluses shot up at an annual rate of 516 percent, greatly surpassing the 3.1 percent annual growth rate of the preceding 26 years and /discharging an economic flow of macroeconomic significance/. At the end of 1984, the purchasing power of surpluses of the whole society amounted to 185.79 billion yuan, 66.7 percent of residents' cash expenditure in that particular year. Of this, urban and rural savings amounted to 121.47 billion yuan, an increase of 4.8 times compared with 21.06 billion yuan in 1978. (See Note 10, p 580) Between 1953 and 1978, residents' average saving tendency was a mere 1.9 percent. Between 1979 and 1984 it rose to 10.8 percent, reaching 15.8 percent in 1984. Marginal saving tendency rose even more quickly, reaching 32.7 percent in 1984. (See Note 7, pp 9-15) While factors of compulsory saving engendered by supply constraints do exist as far as the society is concerned, the difference that has now emerged between personal income and private consumption has after all provided fundamental conditions for the formation of an indirect accumulation process.

Secondly, the proportion of income at the disposal of enterprises has also substantially increased. Seen from the source of accumulation, in 1978 government accumulation made up 73 percent of our country's accumulation while enterprise and household accumulation made up the remaining 27 percent. By 1981, the share of government accumulation dropped to 49 percent while that of the latter rose to 51 percent. (See Note 9, p 192)

As a result of the above-mentioned changes in flow and the reform to replace financial appropriations with loans in investment, the position and role of banks in relation to accumulation and investment in society as a whole has been heightened and strengthened as never before. At the end of 1984, loans extended by state banks totaled 441.957 billion yuan, an increase of 120 percent over the end of 1979. Of these, intermediate and short-term equipment loans saw the fastest growth, increasing by 35.6 times from 792 million yuan to 28.966 billion yuan. (See Note 10, p 526) Banks, second only to the petroleum industry in terms of profits, have become an important pillar in accumulating funds.

Thus, although the average annual rate of accumulation for the 1979-1984 period (30.6 percent) was roughly the same as the average figure for the 26 preceding years, important changes have already taken place in the economic process that engendered accumulation, a point that deserves recognition from the basic orientation perspective.

20. The increase in the proportion of personal income of urban and rural residents has also effectively enlarged the domestic market and consequently brought

about the thriving national economy. In particular, it has produced the following two new situations: 1) Conditions are created for the reform of the consumer goods subsity and ration system that was practiced for decades. In the final analysis, it was on the basis of the rapid rise in residents' personal income that China was in a position to boldly introduce the market mechanism into the supply-demand process of most farm and sideline products. This includes reform of the nonstaple food buying and selling system for residents of townships and towns, the reform of the grain procurement system in the rural areas, and attempts to commercialize housing and medical services. 2) The proportion of nonfood consumption in private consumption has increased, most notable of which is the growth in the consumption of electrical appliances, housing and services. Unlike the consumption of necessities, the consumption of high added value commodities can itself generate higher industrial and commercial profits and thus /may/ become a source of quicker returns on investment and more accumulation. For example, food for peasants' own needs basically do not generate any profits or taxes. For the cereals and oils industries, profits or taxes per 100 yuan of output value only amount to 6.6 yuan. However, the electronics industry can yeild 18.8 yuan, the daily hardware industry 21.8 yuan and the building materials industry 26.7 yuan. (See Note 10, pp 379-80) If irrational factors in pricing are corrected so that prices are brought nearer the supply-demand equilibrium price, we will find a lot more consumer goods with 50 to 80 percent profit or tax rates, calculated on the basis of output value or even capital. In the conventional economy, the "consumption means accumulation" effect is only reflected in salt-making and on commodit s like tobacco and spirits. Now this effect is being greatly extended to cover certain durable consumer goods and service commodities.

21. An important feature in which reform differs from readjustment is that rather than resolving the internal contradictions of the original economic process by changing the quantitative relations between accumulation and consumption, it opens the way to a new economic process through /changing the interrelationship between accumulation and consumption in the demand formation process, as well as the efficiency of their utilization/.

Some changes in the supply side are also taking place in the transition to a new process. The trend in the old investment model toward capital intensification was actually preconditioned by the corresponding lowering of residents' income. The practice of economic restructuring in the urban and rural areas in recent years on the other hand, has opened new horizons for the full utilization of resources and for the increase of total accumulation without reducing residents' income, and even increasing it. This report will look at three basic areas in particular: 1) The substitution of funds with the use of labor; 2) The full utilization of assets in stock; and 3) Efforts to convert natural resources into social capital.

22. /The Substitution of funds with labor/

China is a typical large country with /unlimited supply of labor/ (as opposed to funds and other resources). Because the population base is large, the total labor-supply population will reach 667 million by the end of this century, meaning that 10 million new posts will have to be created each year. Thus relative to land, capital and other imput, the engendering of a relatively low marginal productivity by a large supply of labor (See Note 4, p 134) may well prove to be a long-standing economic phenomenon in our country.

Such a resources structure is not conducive to the realization of the goal of full employment. However, there is another side to the coin. If fully deployed and organized, the "unlimited supply" of a huge labor force may save and even create funds. It has been borne out by experience that while labor and funds are indispensable elements in the wealth creation process, the two are mutually replaceable up to a point under given conditions. A study of the substitution elasticity between labor and capital in at least 25 developing countries shows an elasticity of between 0.5 and 1.2, suggesting that there is plenty of room.(See Note 12, p 327)

The problem lies in the fact that technical possibilities for substitution could not be fully utilized under the old economic system. The reasons are: First, the presence of barriers between town and country, monopoly in industries and all kinds of man-made obstacles that hinder positive employment, have made it impossible to circulate and realign products, and factors within and between industries. Second, the price of essentials simply do not reflect the shortage of funds in relation to labor. Third, organizations engaged in economic activities lack the initiative to achieve maximum returns and minimum cost. The combined force of these three factors seriously hindered the substitution of funds with labor, which ought to have been launched on the largest possible scale in China, so that the substitution of funds with labor in the low-productivity sector (such as the large scale construction of water conservancy projects in the agricultural sector) was a long way from offsetting the growth in capital intensity in the high-productivity sectors (infrastructure and heavy manufacturing). This posed a latent threat to our country's long-term economic development. Thus, it is not difficult to understand why it was only after the old shakles were undone by the structural reforms in the urban and rural areas, that the process of organizing the substitution of funds with labor could be switched on again on a large scale in various major industrial sectors. Between 1979 and 1984, the annual growth rate (3.0 percent) of laborers in scoiety was 120 percent that of the preceding 26 years (2.5 percent); that of fixed asset investment (10.0 percent) was 90.1 percent of the growth rate of the preceding 26 years (11.1 percent); while that of national income (8.3 percent) was 138 percent of the growth rate of the preceding 26 years (6.0 percent). (See Note 10, pp 10, 39, 213) This shows that positive employment is contributing a larger share than investment toward increasing our national income.

23. /The full utilization of assets in stock/

General theories of development usually pay a lot of attention to the proportion of income (flow volume) in developing countries that can be converted into investment and turned into capital (stocked volume). Of course, this is something of great importance. However, many countries that have gone beyond the so-called "takeoff" point (with the rate of accumulation exceeding 10 percent) do not find themselfes on easy development paths. Faced with this grim reality, one cannot but recontemplate this question: Have those assets which form part of our stocked volume been fully utilized and made their due contribution toward maximuzing the flow volume (income)?

The findings of our observation are not very satisfying. First, the capital generation coefficient of developing countries is higher than that of the developed countries. Second, between the years 1973 and 1983, gross domestic product increased by 0.88 percent in the low-income countries for every 1 percent growth in annual domestic investment; the figure was 0.8 percent for the lower-middle income countries, 1.29 percent for the upper middle-income countries, and 3 percent for the market-economy countries.

It can thus be seen that a high accumulation rate does not constitute sufficient conditions for the sustained high-speed growth of developing countries. There are many reasons for this, an important cause being the failure to make full and effective use of the existing stock of assets.

In the past decades, China has done much better than other developing countries in converting income into stocks of assets. This is something of which we can be proud. Between 1953 and 1984, China's accumulated total reached 1,971.5 billion yuan, 30 percent of the volume of disbursement in the cumulative national income. During the same period, the cumulative total of investment in fixed assets in the sector of the economy owned by the whole people alone amounted to 1,274 billion yuan, of which total investment in captial consturciton amounted to 963.44 billion yuan and newly added investment in fixed assets totaled 691.45 billion yuan.

What is the /utilization efficiency/ of this amazingly large amount of fixed assets? Many critical analyses have already been made. The general view is that all the past problems were the outcome of the disruption of proportions in economic life. In the dynamic process of economic growth however, the proportional relations that have a bearing on the efficiency of investment utilization are also constantly undergoing changes. An investment structure and its deployment may prove appropriate in the initial period, but how can we guarantee that they can adapt to changes in technology, the product market and other conditions?

The practice of China's economic development calls for the circulation, transfer and realignment of assets stocks. After 1979, China recognized on the theoretical that the means of production are also commodities and, in practice, opened the capital goods market, organized various types of equipment leasing (including its modern form of providing clients with money for leasing), particularly the diffusion of equipment in horizontal associations of different types. As a result, machinery and equipment that cannot be fully utilized in one place or unit at a particular time can be effectively put into operation in another place or unit at another time. It is estimated that in recent years, the total worth of society's stock of assets put back into operation through circulation and transfers amounted to between 20 billion and 30 billion yuan. Although this only accounted for between 2 and 4 percent of the total stock, it already created say 30 to 70 million jobs and greatly increased the marginal output of labor. Obviously this form of asset utilization does not involve a cut in the share of consumption and its growth rate. Moreover, it can give a more precise indication of the opportunity cost of new investments. Given greater improvement in the drive and behavior of investment bodies, this will in turn contribute its share toward raising the efficiency of converting flow volume into stocked volume.

24. /Efforts to convert natural resources into social capital/

The development of the commodity economy unavoidably draws natural resources, which were originally classified as commodities, into the process of commercialized management. Natural resources, represented by land, do not have a natural claim to compensation, payment, evaluation and so on, because they are factors in the process of production. What determines this is the development of a series of socio-economic conditions the increasing involvement of land products in the market for the exchange of industrial and service products; different types of land ownership; de facto monopoly in land management; differential productivity. As long as these conditions are present, income created by labor will take the social form of "gains" for all factors. The socialist commodity economy is no exception. After the introduction of the system of contracted responsibility with payment linked to output in the rural areas, differential land income becomes apparent in the distribution process of microeconomic bodies and gradually became an economic lever of fairly great drive. (See "Systematic Observation of Economic Transformations in the Rural Areas" by the Research Group on China's Rural Development, China Social Science Publishing House, 1985) On the macroeconomic level, the intercrossing and intensification or urban and rural reforms will generate immense possibilities for the creation of new sources of accumulation and investment in the process of the commercialization of natural resources.

In fact, the proportion of land rent in the net output of our primary products is extremely high. According to the most reliable figures in the United States, in 1956 land rent accounted for 6.4 percent of GNP, almost equal to 10 percent of the $269 billion price tag on land that year. This was similar to a reasonable discount rate, and roughly the same as the average profit rate of company assets. (See Note 15) In Japan in January 1973, the market price of all land (excluding Okinanawa) was 3.32 times the GNP of the previous year, and the proportion of land rent in GNP is higher than the U.S. figure, reaching 16 percent. (See Note 16, pp 302-304) This shows that when population pressure is great, land resources are realtively scarce, and the relative productivity of land products is low, high land rent invariably comes about. Reckoned with the method of shadow analysis, the ratio of differential land rent in the net value of agricultural products is extremely high (See Note 13, p 116) Calculated along the Japanese line, China's present land rent should total more than 100 billion yuan a year.

When primary products (including agricultural and mineral products) are subject to state purchase at a low price and their processing is monopolized, land rent is not directly manifested as the realization of land ownership. Rather, it takes the form of profits from excessive processing and becomes an important source of accumulation for our country's industrialization.

The development of the commodity economy, and the deepening of reform of the economic structure in the urban and rural areas in recent years, has brought about fundamental changes in the above-mentioned conditions. In the rural areas, land is contracted out to different households for long terms and restrictions are gradually lifted on the market price of agricultural products. In the urban areas, state enterprises now pay tax instead of handing over profits to the state, and the price parities between primary and processed products are being adjusted upwards along the double-track system in conformity with the governing laws. The basic fact is that society can neither purchase primary products at a low price through the state, nor practice complete state monopoly of the processing industry. As a matter of logic, land rent thus revealed its full form in our economic life. It calls for the correct use of the state's economic functions and the fully-fledged introduction of a natural resources tax with emphasis on land. This is not only a necessary supporting condition for reform of the low purchasing price of primary products, but may turn the increasingly obvious and daily growing differential land returns into a steady source of social capital, and open new sources of accumulation and investment.

25. In summary, reform has brought about profound changes in the form of national income and the characteristics of its utilization process. First, the proportion of income for enterprises and residents in the primary distribution of national income has increased. Second, the flow volume in the income of residents and enterprises that goes to savings has increased, and accumulation now serves many functions. Because of this, plus the fact that part of government expenditure now comes from bank loans instead of from financial appropriations, the role and function of banks in the resdistribution of national income has been greatly strengthened. Third, although the proportion of residents' consumption in the national income in real terms has not yet increased, notable changes have already taken place in the volume and constituents of consumption. The reform of the supply-demand mechanism for necessities has been brought to the agenda, and the proportion of durable consumer goods and housing in residents' consumption has increased. This has greatly strengthened the chain reaction in the consumer goods market in the creation of additional national income. Fourth, the market mechanism is beginning to be drawn into the investment process; the substitution of production factors, and their redevelopment and exploitation, in particular, has provided important grounds for improving the efficiency of investment.

In short, the turn of the new economic process has enhanced the indirectness and market-orientation of the deployment of our economic resources, and at the same time enhanced the fullness and effectiveness of the utilization of economic resources at different levels. Between 1979 and 1984, the annual average proportion of consumable residents' income, excluding savings, in the volume of disbursement of the national income was 57.2 percent, 6 percentage points lower than the average structure before 1979. Thus, the rate of accumulation was not forced down. However, the absolute amount of residents' consumption increased by 85 percent from 164.4 billion yuan in 1978 to 304.27 billion yuan in 1984 at an annual average growth rate (See Note 15, pp 36, 38, 526, 527) It can thus be seen that the new economic process differs from the old one in that it characteristically promotes mutual stimulation between the major macroeconomic variables of income, savings, consumption and investment. It not only creates the prerequisites for the resolution of the contradiction of being unable to unable to bring about coordination among structural deviations under the old structure. At the same time, it also affords a new fulcrum and levers for the redeployment of resources in the new stage of economic growth.

26. The turn to the new process unavoidably engenders a series of new problems. Many study reports which summed up China's socio-economic development in the last 5 years, particularly those which analyzed the 1984-1985 economic situation, have provided us with rich material and all kinds of explanations and jugments. It is generally held that a basic characteristic of this turning point is that /the old order and equilibrium have been irretrievably smashed and the new order and harmony have not yet been fully established/. However, viewed from the angle of structural transformations and changes in the economic process, these are not the kind of lack of coordination that can be eliminated with a "package" solution, but are /inevitable frictions and conflicts between the process of rapid changes and the process of slow changes which are universally found in the existence of any complicated system/. (Xie Tongxue [0588 0681 1331] used the concept of ordinal parameter to describe the degree of macroeconomic order of a system.

Some parameters (numerous) have serious damping and fast attenuation near the critical point. These are called fast relaxation parameters (far variables), and their changes to not have any obvious effects on the process as a whole. Other parameters (one or several) are free from damping at the critical point. They are called slow relaxation parameters (slow variables). The entire process of evolution of a system is dominated by slow variables. (See Note 17)

For example, the fast change in the consumption demand structure and the slow change in the supply structure have aggravated the structural contradictions in the Chinese market. In 1984, retail sales supplies totaled 350.2 billion yuan, equal to only 89.8 percent of commodity purchasing power generated in that particular year. Total demand was therefore greater than total supply. However, surplus purchasing power in that year amounted to 52.36 billion yuan, equal to 131.6 percent of the shortage in total supplies (39.8 billion yuan). In other words, in 1984, 12.5 billion yuan's worth of goods produced in the current year were turned into stock. Judging from the cumulative total, commercial inventory at the end of 1984 exceeded the surplus of total purchasing power. In real life, "commissioning" between wholesalers at all levels and retailing bodies, evolved into a unique commercial battle, and the tendency of not being able to buy things even with cash in hand, went unabated. These cannot be described and summed up as simply demand inflation.

For further elaboration, fast variables refer to the synchronous oscillation effects of consumption concepts and desires formed in consumption, while slow variables refer to the development of diversification in the levels and grades of consumption. China, like many developing countries, is faced with a formidable challenge in that "the ability to supply those items which see the fastest change in consumption desires, is more often than not the slowest to adapt."

Imbalance between supply and demand in the consumer goods market can usually be regulated through savings: part of the surplus purchasing power can be diverted to the investment goods market, while the rest can be channeled into the storage pool. The problem is that both the organization and regulations of China's savings system were produced during the low-income stage, and it sees a process of slow changes compared with the changes that have already occurred in income (for example, there are still people waiting their turn to open accounts because of the shortage of savings outlets, and interest rates on bank deposits cannot even make normal responses to the rate of inflation). Structural contradictions exist in the same way in the investment goods market, and the vitality seen in the use of funds in the microeconomy (various types of fund raising in the local, enterprise and household economy) which emerged on this basis cannot produce good macroeconomic effects for the time being, because the ultra-slow variable of the underdeveloped capital market is holding things back.

Under the backdrop of the clash between a series of fast- and slow-changing processes, the "loss of economic control" occurred in the second half of 1984. Subject to the arbitrary direction of unsettling signals, "free" capital amounting to over 100 billion yuan turned into an destabilizing factor that could disrupt the investment goods market, the consumer goods market and international receipts and payments at any time, and brought some confusion to our economic life during the turning period.

Thus, the strengthening of macroeconomic control (that is, control of the total economic volume) is absolutely necessary. In order to stabilize the overall situation as quickly as possible, and guarantee the necessary social conditions for the deepening of reforms, a feasible control option would be to check all fast variables (income, revenue of enterprises, residents' income, consumption trends and investment impulses) by administrative means so as to keep pace with the slow-changing processes.

However, at the same time we must be aware that this kind of control is by no means a permanent cure. While returning to the old economic equilibrium at this juncture of the turn can indeed stabilize the situation, the structural contradictions in our economy still remain and the question of how to coordinate the above-normal deviations in the old structure has still not been fundamentally tackled. Thus, /contradictions arising from structural transformation should be better tackled with structural measures/. In fact, the presence of slow variables themselves points out to us precisely where emphasis should be put in further reforms. Organizing key breakthroughs around the slow variables in order to achieve maximum coherence between economic development and economic reforms is not only conducive to economic stability during the turning period, but is also conducive to the final completion of the transition to the new economic process. This is bound to have a positive effect on China's long-term development.

Notes:

1. Tuseneo Yano Memorial Society: "Nihon Hayaku-nen (100 Years in Japan)," Jiji Publishing House, 1984.

2. H. Chenery and M. Syrquin: "Patterns of Development, 1950-1970."
3. State Statistical Bureau: "Zhongguo Tongji Nianjian [China Statistical Yearbook] 1984."
4. Zou Zhizhuang [6760 5267 8369]: "Zhongguo Jingji [Chinese Economy]" Nankai University Publishing House, 1984.
5. World Bank: "Yijiu Basi Nian SHijie Fazhan Baogao" [World Development Report] 1984. China Monetary Publishing House, 1984.
6. Zhang Peigang [1728 1014 0474]: "Nongye Yu Gongyehua [Agriculture and Industrialization]," Vol 1, Central China Technical college Publishing House, 1984.
7. Department of Trade and Price Statistics of the State Statistical Bureau: "Zhongguo Maoyi Wujia Tongji Ziliao [China's Trade and Price Statistics]."
8. "Zhongguo Jingji Jiegou Bianhua ye Zengzhang di Kenengxing he Xuanze Fangan [Changes in China's Economic Structure and the Possibility and Options of Growth]," Qixiang Publishing House, 1984.
9. World Bank Economic Inspection Group: "Zhongguo: Changqi Fazhan di Wenti he Fangan (Zhu Baogao) [China: Long-term Development Issues and Options, Main Report]," China Monetary Publishing House, 1985.
10. State Statistical Bureau: "Zhongguo Tongji Nianjian [China Statistical Yearbook] 1985."
11. Yang Zhi [2799 3112]: "Chanye Jingjixu Daolun [An Introduction to Industrial Economics]," China People's University Publishing House, 1985.
12. "Shijie Geguo Gongyehua Gaikuang he Quxiang [The General Situation and Trend of Industrialization in Different Countries of the World]," China Translation and Publishing Corporation, 1980.
13. Song Guoqing [1345 0948 7230] and Luo Xiaopeng [5012 1420 2590]: "Economic Structure and Economic Reform" in "Nongcun, Jingji, Shehui" (Countryside, Economy and Society), Vol 2, Encyclopedic Knowledge Publishing House, 1984.
14. Tadanori Ito: "The Raising of Money and the Monetary Role During the Period of High-speed Growth in Japan," (speech in Beijing August 1985).
15. Yuesefu Kaipo [4766 3844 1133 0418 3789] (et al): "The Theory and Estimation of Land Rent," Chelton Publishing House, 1961.
16. Hugh Patric and Henry Rosovsky: "Yazhou xin Juren [Asia's New Giant]," last volume, Shanghai Translation Publishing House, 1982.
17. Shen Xiaofeng [3088 1420 1496]: "Xie Tongxu di Zhexue Qidi [Xie Tongxue's Philosophical Inspiration]," Guangming Ribao, 6 January 1986.
18. State Statistical Bureau: "Zhongguo Tongji Nianjian [China Statistical Yearbook] 1983."

/12232
CSO: 4006/1237

NATIONAL POLICY AND ISSUES

JINGJI YANJIU ON ECONOMIC GROWTH RESTRICTIONS

HK310641 Beijing JINGJI YANJIU in Chinese No. 6, 20 Jun 86 pp 19-24

[Article by Wu Ji [0702 1323], Hang Junkuo [1728 6511 2368], Yue Bing [1471 0393], and Li Jiange [2621 0494 7041] of Development Research Center under State Council: "On the Significant Restriction of Economic Growth"]

[Text] This year, the speed of growth of the nation's industry has clearly been lower than people anticipated and this has attracted wide attention from all sides. As there are different understandings as to the reason for this phenomenon, there are also great differences in the proposed countermeasures put forward. We believe that, in one respect, the slowdown in the speed of industrial growth is the result of adopting various policies and measures and of implementing voluntary controls on the "excessively high speed of growth." Basically this is normal. However, on the basis of the excessively high speed of growth last year, the 4.4 percent average growth in the 1st quarter of this year is not low and in this respect we need not worry excessively. However, in another respect, we should also recognize that in the process by which the speed of our nation's industrial growth is declining, there has also been experienced in our nation's economic development and economic reforms a number of factors that restrict the long-term stable growth of our national economy. These are worth our attention and consideration.

1. The Two Restricting Factors on Economic Growth and Their Significance

The normal operation of socialized commodity production is generally restricted by factors in two areas--resources and demand.

Restricting factors in terms of resources mainly include raw and semi-finished materials, energy, labor, transport capacity as well as technological levels, management abilities, entrepreneurial spirit, and so on. Resource [word indistinct] the material conditions for production, and their lack can present insurmountable restrictions to economic growth. In general, the restrictions of resources on production are manifested in two ways: 1) Overall quantitative restrictions. A fixed overall quantity of resources can only support a certain speed of growth, and the overall quantity of resources determines the area of production feasibility. 2) Short supply restrictions. The normal operation of production not only needs a certain quantity of resources, but also requires a certain resource structure. The demands on the resource structure are determined by production functions. When the proportional structure of resources does not accord with the demands of production functions, the growth of production will be restricted by "short supply" and there will appear a situation in which goods in "short supply" are keenly vied for while the goods in "excess supply" lie around unused.

Overall quantitative restriction in terms of resources are relative to total social demand. At such a time, the growth of total social demand is quite fast and the total social supply is not able to keep up with the growth in demand because of overall quantitative restrictions in terms of resources. In this situation, there either appears general "short supply" (in a situation in which prices are subject to strict control) or currency inflation (in a situation in which prices are free). Resource short supply restrictions are relative to the supply of resources in full supply. At such a time, as resource deployment is inappropriate, the marginal rates of substitution of resources for various uses are unequal, social production stays within the limits of the production feasibility curve, and the latent potential for social resource supply cannot be fully brought into play. The overall quantitative restrictions and the short supply restrictions in terms of resources can play an individual role or can exist together. The short supply restriction in terms of resources can, in the former situation, lead to an overall loss of balance, where total demand is greater than total supply. In the latter situation, it may aggravate the overall quantitative imbalance, and the overall quantitative balance will in turn increase the structural dislocation, thereby forming a vicious cycle.

Demand is another important factor in restricting the normal operation of commodity production. Demand includes investment demand and consumption demand. In a situation in which paper money is employed, the restrictions of demand on production can be overcome. They can be effectively overcome by appropriate improvement of systems models and economic policies. The restrictions of demand on production can also be examined from two aspects; that is, from the total amount of demand and the demand structure. When total demand is not sufficient, there may occur overall product surpluses, production shrinkage, and increased unemployment. This is already well-known by everyone. What we wish to point out here is that in a situation in which total demand is excessively high, the irrationality of the demand structure may produce restrictions on production. The irrationality of the demand structure can occur between investment demand and consumption demand and can also occur within these two demands. In this situation, there can appear the phenomenon that some products are in surplus while other products are in severe shortage.

An approximate balance between total social supply and total social demand is a basic condition for normal commodity production. If total demand exceeds supply by too great a degree, or vice-versa, it will damage the regular order of production. However, when it is said that total supply is insufficient, this is relative to a certain level of demand; and when it is said that demand is insufficient, it is relative to a certain supply capacity. Thus, in a fixed economic development period, seen from the most basic proportional relationships of the national economy, resources restraint (determining the total possible supply) and supply restraint cannot, at the same time, be significant restraints to economic growth. That is to say, in a situation in which resource restraints exist, there cannot be demand restraint. Likewise, in a situation in which demand restraints exist, there cannot be restraints on resources.

Of course, when overall demand exceeds overall supply, at the same time as seeing from the most basic relationships of the national economy that the effective means of restricting economic growth is resource restrictions, because of the irrationality of the internal structure of total demand, the situation may occur in which various parts of total demand are insufficient, thereby restricting economic growth. When total supply is greater than total demand, a similar corresponding situation may occur.

2. The Restriction of the Short Supply of Resources on Our Nation's Current Economic Growth

Seen from the situation reflected from different sides, the slowdown of the speed of industrial growth in the 1st quarter of the year was caused by five factors: Tight supply of energy, a shortage of raw and semi-finished materials, insufficient foreign exchange, low enthusiasm of workers, and insufficient turnover funds in enterprises. The five factors can be summed up into two major types: The first four are resource restrictions on growth, while the last is demand restriction. As to which of these two types of restrictions is the significant one, there are greatly differing ideas. We believe that at present the significant factor restricting production is the shortage of resources. It is not that total demand is insufficient.

Energy and the production of raw and semi-finished materials have always been the shortfalls in our nation's industrial production. This was especially so in the "excessively high speed" growth of the 4th quarter of 1984, when the gap increasingly expanded.

First, we cannot ignore the contradiction between the supply and demand of electricity. In the 1st quarter of this year, the speed of growth of the amount of electricity generated was higher than the speed of overall industrial growth. However, in many areas there was still a tight supply of electricity for industrial use. In many large cities, electricity is still the major factor restricting industrial development. This is because the lack of electricity is a long-term problem and, at the same time, there have been changes occurring in some factors that are being used to remedy the electricity supply shortfall. In the Sixth 5-Year Plan, we wanted to grasp energy as the key point of construction, and in this we did achieve certain results. However, in the "excessively high speed" development, the processing industry developed too quickly and in fact the amount of investment in energy as a proportion of total investment decreased as compared to the Fifth 5-Year Plan period. According to the practice in the process of industrialization in various countries, the growth of electricity supply, in general, leads industrial growth. In our nation over the 1954-1980 period, the lead coefficient of electricity production in respect of industrial production was 1.33 (that is, for each 1 percent growth in total industrial output, there was a 1.33 percent growth in generated electricity). After entering the Sixth 5-Year Plan, this coefficient fell to below 1, and the lead changed to a situation trailing. For the first three years of the Sixth 5-Year Plan, the figure was maintained at about 0.7; in 1984, it fell dramatically to 0.52; and then in 1985, it declined further to 0.44 (Footnote 1) (Calculated on the basis of statistics contained in the "Statistical Yearbook of China" 1981-1985 and the "State Statistical Bureau's Communique on the National Economic and Social Development Statistics for 1985" (carried in Renmin Ribao on 1 March 1986)). According to an estimate by the Ministry of Water Resources and Electric Power, the national shortfall of electricity in 1985 was 45-50 billion kilowatt-hours, equivalent to 12 percent of the electricity generated that year. The shortfall in generating capacity was 12 million kilowatts, equivalent to 15 percent of total installed capacity.

Faced with a daily increasing lack of electrical power, last year we mainly relied on importing raw and semi-finished materials that would have consumed great amounts of electricity if produced domestically, postponed major repairs, and put together equipment, while various areas used a large number of small diesel generators to supplement the high-price electricity produced through great consumption of oil. This year, these conditions have completely vanished or are in the process of doing so, and although the major power stations have realized great increases in the amount of electricity generated, there is no way to satisfy the demand, which has seen extremely great growth. At present, various areas generally indicate that putting the brakes on in order to save electricity has often resulted in an increase in quality problems and an increase in rejects, which results in a greater loss of electricity. They also note that it [words indistinct] production order and routine of social life into disorder and affects the labor productivity of enterprises. The economic losses to continuous production enterprises are particularly serious.

Second, the tight supply of raw and semi-finished materials is an old problem which has existed a long time. During the Sixth 5-Year Plan, the actual development of the mining industry and the raw and semi-finished product industry was not slow, and in agriculture, economic crops and animal-raising products saw quite a lot of growth. However, in the process of "braking slowly," although the supply-demand contradictions for some products (for example, some types of steel products) have been alleviated, many products are still in tight supply, and the supply of some is becoming even tighter. This is mainly because, under conditions in which dual systems, double-track pricing, and administrative division of power has strengthened local interests and seriously twisted market signals produced by the excessively high speed of growth, localities and enterprises have been induced to invest large amounts of funds in processing enterprises, where the investment cycle is short, the prices high, and profits large. This has resulted in future deterioration of the product structure.

In a situation in which many channels coexist, because the proportion of list-price products produced in state-owned enterprises is quite large, these enterprises' competitiveness in obtaining high-price electricity and high-price raw and semi-finished materials is not as great as that of smaller enterprises. This results in restriction to their development. In the last few years, it has become common practice for areas to set up small electric furnace enterprises and small steel-rolling enterprises. Since 1984, in Liaoning alone, there has been an increase of 200 small steel-rolling enterprises, 70 percent of the current total of small steel-rolling enterprises in the province. The current steel-rolling capacity is 4.66 million tons, four times the amount for which the state has planned the supply of blanks. In the electrical smelting furnace enterprises, there has also appeared the situation of having the small squeeze out the large and the backward squeeze out the advanced. Small electrical furnaces which consume a lot of electricity and a lot of reject steel have been appearing like bamboo shoots after a spring rain. Meanwhile, the large furnaces have no reject steel to use and have had to cease production.

In the last few years, the division of power during the reforms has strengthened the tendency for the various localities to not consider comparative advantages and to plunge blindly into things. This has, on the one hand, encouraged some raw material production areas to adopt local protectionist measures, set up blockades, and impose exit taxes. They use administrative measures to block funds from flowing out of their areas, vie to set up shops, set up duplicate points, and go in, in a big way, for running various types of enterprises that have high prices and great profits, especially in the processing industries. On the other hand, we have seen the wide development, in the medium-size and small cities and the rural areas, of processing enterprises that have no raw materials and that lack technology. The result of everyone doing things in this way will be that the benefits of resource deployment in the national economy will deteriorate. Not only will the old coastal industrial and backbone enterprises with good economic results be forced to cease work to wait for resources, but the supply of raw materials for enterprises in areas producing them will also become tight.

The restrictions of short supply of energy and raw and semi-finished materials were originally a "hard restriction" for industrial production, which could not be overcome. The reason it was possible last year to overcome "shortages" of domestic supply is mainly that large amounts of state foreign exchange reserves which could be used for any resources were used to supplement the deficit of domestic resources. According to estimates, over the last two years, just the import of raw and semi-finished materials, which would have completed large amounts of electricity in production, has saved the consumption of 61 billion kilowatt-hours of domestic electricity. This is equivalent to 109.1 percent of the additional electricity generated in the same period. Because there was a great increase in import volumes and restricted exports, it was not possible to make ends meet in terms of national foreign exchange. In such a situation, there is no need to say that there is no possibility of continuing to support the high speed of growth of the domestic economy, and it will even be difficult to obtain the foreign exchange necessary to maintain the existing scale of imports.

The lack of enthusiasm of workers is a new problem which has appeared in recent times. Speaking purely in quantitative terms, our nation's labor force is plentiful. However, whether this labor force can truly be brought into play in production is determined by the quality of the laborers and their enthusiasm for production. In autumn last year, because there were severe situations of price instability and irrational income differentials, there were fluctuations in the masses' morale. After November, many enterprises throughout the nation hurriedly carried out "interlinked reform" work in respect of wages. In many areas and many enterprises, this interlinked reform was in fact a revival of egalitarian methods which did away with rational income grades for staff and workers and economic responsibility systems which had been formed through several years of reforms. Cadres, front-line workers, old workers, and others were not happy with this, and staff and workers' enthusiasm was greatly dampened. The phenomena whereby people work but with no effort and there being a general slackness in work have, since December last year, gradually grown. Because the understanding of enterprise leaders in respect of questions related to limits of power in factory director's appointments of cadres under the factory director responsibility system and the limits to countermeasures in correcting unhealthy trends are not clear, their morale has also been affected. Therefore, they have relaxed their operational management over enterprises and there has been a decline in both production and economic results. Thus, in a certain sense, in the above-mentioned restricting factors, the low level of enthusiasm of workers also plays a prominent role.

3. The Problem Lies in Several Basic Defects in the Economic Structure and the Economic System

Some comrades believe that the current general situation in which enterprises do not have sufficient circulating funds, which affects the normal carrying out of production, can be explained through the situation formed since last year through macroeconomic controls where total demand and money supply are insufficient. They advocate that at the same time as increasing investment in fixed assets and cash expenditure on wages, we should increase circulating fund credit to quite a great degree.

We believe that although this judgment seems to conform fully with the outward phenomenon, seen from the basic nature, it is incorrect.

Seen overall, there is now still in the national economy the situation of total demand exceeding total supply. It is not true that demand is insufficient. In 1985, the scale of investment in whole-people ownership fixed assets was 165.2 billion yuan, breaking through the 150 billion yuan level, which was the control target. This was an increase of 39.4 percent over the previous year. Wages and other expenditure on individuals totaled 178.6 billion yuan, up 37 billion from the previous year, or a rise of 26.2 percent. The growth of both investment and consumption has exceeded the 12.3 percent growth in national income. (Footnote 2) ("State Statistical Bureau Communique in the National Economic and Social Development Statistics for 1985"). This year the growth in investment in fixed assets and cash expenditure of a wage nature has continued to exceed the growth of production. Even though there is a generally indicated lack of circulating funds, the total volume of credit also exceeds the growth of production. According to an investigation, the total output value of industry and agriculture in 1985 grew 16.4 percent over the previous year, but the amount of circulating fund credit outstanding at the end of the year grew 23.6 percent. The total industrial output value grew 17.7 percent while industrial circulating fund credit grew 22.7 percent (Footnote 3) (Ibid). This year, circulating fund credit for industry has not accorded with the pattern in the first half of last year, where it decreased monthly. This year it began to rise from January.

At present, the overall scale of money supply is still quite large and the inflated total social demand has not yet been completely cut back. However, enterprises' circulating funds are extremely tight. We need to carry out specific analysis of this situation. According to our investigations, the main reasons for this situation occurring are:

1. Because of several defects in macroeconomic decision making and the problem of enterprises' activities under the present system, the majority of the circulating funds are being taken by investment in fixed assets or seep out in enterprise links. This has led to an imbalance in the demand structure where the amount of accumulation funds and individual consumption funds used in investment in fixed assets is relatively inflated and production funds are relatively insufficient.

In the various levels of enterprises, circulating funds seep out to consumption funds and to construction, especially the construction of welfare facilities, thereby resulting in a shortage of circulating funds. This is a problem worth our attention. Because of shortcomings in economic management systems and the situation in society in which there is mutual clambering for wages and welfare benefits, enterprise leaders first consider how to raise wages and improve welfare benefits. Second, they consider capital construction and then only in the end do they consider increasing circulating funds. In a situation in which income is insufficient to cover the expenditure in terms of bonuses and welfare facilities (for example, housing for staff and workers), circulating funds are often squeezed. For example, last year in the situation in which price levels shot up, many enterprises, in order to give bigger bonuses, did not reserve the circulating funds necessary to make up for the rise in costs, as provided in regulations. This resulted in a false growth in profits. Of this false growth in profits, a portion was handed over to financial departments as taxes. The funds thus collected by the financial departments could only be used in investing in fixed assets and could not be used to supplement circulating funds. Another portion was used as a consumption fund to be divided among individuals. This produced a lack of circulating funds in the production cycle. The result of such actions is that in recent years the absolute value of circulating funds possessed by state-owned industrial production enterprises within the budget has continually decreased. According to estimates by the state Economic Commission, in 1980 the circulation funds possessed by enterprises was 63.4 billion yuan. By 1983, this had declined to 62.8 billion yuan; and in 1984, it declined further to 62 billion yuan.

2. The expansion of total demand last year produced a shortage of funds which seriously distorted market signals. This strengthened the tendency for enterprises to have a mentality of rush-purchasing and hoarding and also the tendency for blind development in some processing industries. The result of this was that the national economic structure was dislocated. In order to rectify the dislocated ratios, after implementing macroeconomic controls, we must inevitably result in products in excess supply becoming unsalable. This will be manifested in the appearance in the funds situation, of what is called "backward movement of circulation funds" and the phenomenon of precipitation in the course of [word indistinct]: Currency funds, which are the starting point for enterprises' circulating funds, are insufficient and thus there is

excessive pressure put on reserve funds, funds in products, and especially funds in completed products. According to the statistics of the state Economic Commission, at the end of 1985 the excess amount of circulating funds over the circulating funds quota in industrial production enterprises within the budget was 146.7 billion yuan, an increase of 19 percent over the previous year. Of these, funds in completed products totaled 31.05 billion yuan, an increase of 30 percent over the previous year.

3. In recent years, there has been excessive import of some products, which has resulted in overstocking and slow sales of domestic products of the same type and the latter thus take up funds.

4. Some "Briefcase companies" that rely on credit to operate and provide high wages have incurred large losses or have gone bankrupt. The bank credit and commercial credit have become bad debts. This has taken up the circulating funds of enterprises that engage in regular operations and resulted in some payment difficulties.

Principles and Policies that Should Be Adopted in Future

From the above analysis, we can see that our nation is experiencing a situation in which two aspects exist together. The first is that total demand is still quite high and the total quantity of resources and resources in short supply restrict economic growth. The second is that the total demand structure is not rational and the enterprises' working funds are not sufficient, which affects the normal operation of production. This shows that some basic defects exist in our nation's national economic structure, including the proportional relationship between investment in fixed assets and circulating funds, the proportional relationship between the demand structure and the production structure, the sectoral structure, the product mix and so on, and even in the current economic systems. These defects to a certain degree were produced by the inflation of total demand and the "overheated economy" which have occurred since the 4th quarter of the year before last, and also by the related sluggishness of systems reforms, the interlocking of the dual systems evenly matched in strength, and the regulated market mechanism not being able to play a leading role. These problems, which were produced by the "overheating," are often seen by some comrades as the result of dropping the temperature too quickly, producing a situation in which there is insufficient total demand. Thus, they advocate that at the same time as increasing investment in fixed assets and increasing wage-nature expenditure, it is necessary to widely increase circulating funds credit. In fact, since the problem was given rise to by the structural defects produced by the "overheating" and related practical problems, generally increasing money supply cannot truly resolve it. For example, the funds "restriction" given rise to by slow sale of products is a bottomless pit impossible to fill. Increasing credit to the enterprises will only produce new overstocking and will not be able to basically resolve the operational difficulties. On the other hand, this over-simplistic countermeasure will bring new losses to the stable situation we have been able to achieve at great cost, and will thereby result in us entering another inflation-shrinkage cycle.

In comparing the policies adopted since last year in stabilizing the economy with the economic readjustment in 1981, a good aspect is the method of applying the brakes slowly so that the tremors felt in economic life are small. The shortcomings are that too much stress has been placed on controls of total quantities and there has been a slackening in structural readjustment. Also, in reducing the demand there is the shortcoming of cutting with one knife. However, in general, on the one hand this knife has not cut enough. The expansion of total social demand and especially of investment in fixed assets has not yet been completely controlled--many new shops have been built and many new projects started. In another respect, in the readjustment of the investment structure and the production structure of the national economy and especially within industry, the implementation has been insufficiently automatic. In future, we must further guide action in accordance with the situation and, at the same time as controlling overall quantities, put stress on readjusting the structures. Only if this work is done well will it truly be possible to improve macroeconomic control and regulation, improve supply, improve economic benefits, and achieve a real increase in speed. In this, we should not one-sidedly seek a very fast increase in speed in the near term. Even if the increase in speed is a little low in the short term because the speed will be real, it will create conditions for the stable and healthy development of the national economy and the smooth carrying out of the economic reforms next year and subsequently.

Under the condition of maintaining total quantitative control, the key to doing well in current economic work is to make structural readjustment more prominent. To do this, in economic development we must change from a model that one-sidedly seeks and vies for speed and stresses quantities and production value to a model that seeks improved results and pays attention to quality and structures. In the economic structure, we must promote a change from the model that mainly uses administrative measures and direct controls to a model that mainly uses economic means and indirect controls. Seen from the present, we should adopt a series of alleviating measures that basically accord with these two changes, improve macroeconomic control, and improve supply.

First, in current work we must reverse the ideas and methods found in some departments and regions which stress the grasping of long-term planning and laxness in current production and the ideas and methods found in the arranging of funds and materials supply whereby they first worry about construction and only later about production. At the same time, we must watch out for renewed emergence of the phenomena of purely stressing production value and one-sidedly seeking speed. Production must be grasped tightly and it is necessary to look ahead and behind and make rational arrangements for problems that need to be resolved. The management departments should put forward ideas and measures for the rational readjustment of the investment structure and production structures of industries, regions, and products. It is also necessary to do well in service work in terms of funds, materials, energy, transport, information, and technology, and enterprises must subordinate partial interests to overall interests and take the initiative in making appropriate readjustments.

Second, we must improve supply. Under the condition of not exceeding the total quantity of the state supply of funds and materials, the relevant departments must appropriately bring forward and grasp well the allocation of some funds and materials in response to the pressing demands of enterprise production and market supply at present. We must implement the principles of differential treatment and selective preferential supply.

1. In terms of credit, it must first be used for production, then capital construction; first be used for key projects, then general projects; first be used for technical transformation, then for new construction. In the supply of circulating fund credit, we must be appropriately relaxed. We must first support the production of products that earn foreign exchange through export, that are of brand-name quality, and that have a ready market. There should be little or no credit given to products that are of low quality, the production of which involves high consumption, that have no ready market, and that should be eliminated through competition, so as to encourage the enterprises that produce these products to close down, stop production, merge, or convert. Banks should also strive to increase deposit, expand the circulation of funds, and truly help enterprises in terms of funds for settling accounts in arrears. They should also adopt the methods of discounting and rediscounting commercial notes as this will enable enterprises' funds to circulate normally. In terms of the arranging ok plans, we must also change the practice whereby banks are looked to as an inexhaustible source of circulating fund credit.

2. In the supply of raw materials, energy, and imported materials, including foreign exchange, there must also be differential treatment and selected preferential supply. We must give preference in supply to the production of consumer products and investment products that can be exported to earn foreign exchange, products that are in good demand in the market, and products needed by key projects. We must guarantee production in the old industrial cities, old industrial bases, and backbone enterprises; the production of brand-name, superior-quality products; and take into consideration the production of products that have ready markets, but the enterprises in newly-developed cities and in urban areas.

Third, we must improve macroeconomic control.

We must firmly control the total scale of investment in fixed assets and truly do well in the readjustment of the investment structure. To achieve this, we need to stop new projects, sort out projects in progress, and firmly stop or slow down a number of projects. At present, the difficulty in reducing the scale of investment lies in that there re too many projects and the number is continually increasing. There is thus a need for determination at the central level to firmly curb this. If this is not done, and the scale of capital construction is allowed to continually grow, then not only will circulating funds be continually squeezed, but it will produce a new lack of circulating funds and finally it will inevitably give rise to "expanding unsalability."

2. In controlling the growth of consumption funds, on the one hand, we need to control their excessive growth, while on the other hand we need to use good planning to allow increased wages and bonuses. At the same time as strengthening ideological and political work and clarifying various policy

limits, we need to seriously implement an economic responsibility system in enterprises and overcome the new egalitarianism.

3. In financial expenditure, we need to seriously implement the principle of keeping expenditure within the limit of income. Considering that in the near term the speed of growth of the national economy cannot and should not be too fast, we must tighten up on expenditure and cannot open new expenditure avenues.

What needs to be pointed out is that the two different ideas that now exist on the industrial production situation are only continuations of the ideas in the debate at the beginning of last year on the question of excessively high speed. Thus, there is need to attain a new unity of understanding on the danger of growth at an excessively high speed and further make clear that development should be subordinate to reform. We must firmly place reform in the prime position, control the speed of economic growth at an appropriate level, and make efforts to create a relatively relaxed economic environment so that next year the reforms can take some major steps.

/12913
CSO: 4006/1236

ECONOMIC DEVELOPMENT ZONES

LIAOWANG ON ZHUIJIANG DELTA AREA'S ACHIEVEMENTS

HK210515 Hong Kong LIAOWANG (OVERSEAS EDITION) in Chinese No 28, 14 Jul 86 pp 6-7

[Article by Wang Zhenhua [3076 2182 5478]: "Zhujiang Delta's Export-oriented Economy in Retrospect and Prospect"]

[Excerpts] Rapid changes are occurring in the Zhujiang Delta area. Construction is advancing simultaneously in central cities, satellite towns, and the vast area of the countryside in this area; the development of new modern industrial enterprises and the transformation of old enterprises are being conducted simultaneously; and the development of new industries and the all-round restructuring of rural production are simultaneously in progress. This brings about a broad prospect for the development in this area.

Since the CPC central leadership and the State Council decided to make the Zhujiang Delta area an economic open zone in 1984, industrial and agricultural production and construction there have been developing at an unprecedented speed. Between 1981 and 1985, the total industrial and agricultural output value increased by an average of 14 percent each year, and the total industrial and agricultural output value in 1985 reached 19.83 billion yuan, with industrial output value being 16.22 billion yuan and agricultural output value being 3.61 billion yuan. In 1985, the total value of export goods purchased by foreign trade companies was 2.51 billion yuan, accounting for 44 percent of the total figure of Guangdong Province.

A Production Structure Which Integrates Foreign Trade With Industrial and Agricultural Production is Taking Shape

In the early winter of 1984, when inspecting the Zhujiang Delta area, Premier Zhao Ziyang said to local leaders: "This area has favorable conditions for forming a production structure which integrates foreign trade with industrial and agricultural production." This properly summarized the past experience, present characteristics, and future prospects of economic development in the Zhujiang Delta area.

According to the state plan and policies, an economic structure which combines industrial and agricultural production with export trade should be formed in the Zhujiang Delta area. That is, processing industries should produce goods according to the needs of export, and agriculture produces raw materials needed by the processing industries. According to this requirement, local governments at various levels in this area have all taken steps to exploit their local advantages, rationally readjust their production structures, actively build up their export-oriented production system, carry out foreign economic cooperation in the forms of processing and assembling imported materials, compensation trade, cooperation projects, and joint ventures, and import advanced technologies and equipment to transform the existing enterprises. By the end of 1985, this area had signed all kinds of economic contracts with companies from more than 20 countries and regions.

The Secret of Success Lies in Favorable Objective Conditions and People's Concerted Efforts

Why is the Zhujiang Delta area able to develop its economy so rapidly? According to local cadres and ordinary people, their secret of success lies in favorable objective conditions and people's concerted efforts. In particular, the party's line since the 3d Plenary Session of the 11th CPC Central Committee and the series of special policies and flexible measures adopted by the central authorities for the economic open area have fully aroused people's enthusiasm and initiative and have brought the favorable objective conditions into full play. In the course of creating a new situation, a large number of new people with talent and ability have rapidly grown up. Many of these able people were still ordinary peasants a few years ago, but now they have become competent enterprise managers and can efficiently manage various modern enterprises. In the field of agriculture, the natural and self-sufficient economy has been replaced with a growing commodity economy, and the peasantry has become a brand-new concept. They say: "Farming is now also a business which must be continuously adapted to the changing market demands so as to produce readily marketable products. At the same time, we need to adopt scientific methods and new technologies so as to achieve the greatest output by making the smallest input and to achieve the greatest output by making the smallest achieve the best economic results. Only thus can our products hold a stable position in both domestic and international markets." This change in peasants' mentality promotes the process of shifting agriculture in the Zhujiang Delta area to modern production and a commodity economy.

In this area, the reform and opening policies have not only aroused the initiative of workers, peasants, cadres, and technical personnel, but have also aroused the enthusiasm of Overseas Chinese and Hong Kong and Macao compatriots. The contributions of Overseas Chinese and Hong Kong and Macao compatriots to the development of an outwardly oriented economy in the Zhuijiang Delta area in recent years have been obvious. So far, 90 percent of the overseas funds used by the Zhuijiang Delta area have been offered by Overseas Chinese and Hong Kong and Macao compatriots, and most new technologies and equipment have been acquired with the help of Overseas Chinese and Hong Kong and Macao compatriots who played a go-between role and offered useful information and consulting services. Many Overseas Chinese and Hong Kong and Macao compatriots have also spared no effort in helping the domestic units open international markets, or have actively made contributions to run schools and other public welfare undertakings. In recent years, many elderly Overseas Chinese have visited their home villages and home towns. They were all deeply impressed with the rapid changes in the conditions of their home villages and home towns and with their countrymen's hardworking spirit. An old man returning from America to his home village in Taishan county said: "It is time for us to render service to our motherland." This represents the common voice of millions of Overseas Chinese.

Inviting Guests From All Parts of the World and Making a Fortune by Doing Business With Various Countries

The Zhujiang Delta economic open area has made great efforts and invested large amounts of money to build an outwardly oriented economic structure. In 1985, the enterprises owned by the whole people in this area had fixed assets totaling 2 billion yuan. A large number of new modern industrial enterprises have been built and put into operation very quickly. The equipment renewal and technological transformation of the old enterprises have accumulated strength for further development. The gradual readjustment of the rural production structure and the new economic structure of combining industrial and agricultural production with export trade have laid a solid foundation for expanding the export of farm products in this area.

Another gratifying fact is that through some years' unremitting efforts, the investment environment of the Zhjiang Delta economic open area has been further improved. Water and land transport facilities for passengers and goods have been highly developed; modern communications facilities have been built and completed one after another; a commodity circulation system with multiple channels, few links, and high efficiency has been gradually formed; and the principle of "mutual benefit" in the use of overseas funds is being carried out and has won good reputation among many foreign investors. Guests have been invited from all parts of the world, and a great deal of money is being made by doing business with various countries. This is a vivid description of the present situation in the Zhujiang Delta area. People generally hold that the Zhujiang Delta area will make greater progress in the future!

/12913
CSO: 406/1234

INFLATION RATE REDUCED TO 3 PERCENT

HK190608 Beijing CHINA DAILY in English 19 Jul 86 p 1

[By staff reporter Wang Gangyi]

[Text] Stricter price controls and subsidies on non-staple foods have helped reducing China's inflation rate down to 3 percent by the end of June from January's 8.5 percent.

The average inflation rate in the first half of this year was 5.5 percent compared with last year's average of 8.6 percent, according to figures released yesterday by the State Statistics Bureau.

The bureau's spokesman Zhang Zhongji told reporters at a press conference that staple food prices, which had jumped by a double-figure percentage in 1985, rose by only 5 percent in June.

Prices for non-staple food like eggs, meat and vegetables were basically stable, he said.

He attributed the lower inflation rate to tighter price controls since the beginning of the year and to non-staple food subsidies in some parts of the country.

The spokesman said that the country succeeded in "cooling down" the over-heated economy in the first 6 months of this year and began to achieve a normal and coordinated development.

Transport, one of the problems that has been causing a bottleneck in China's economic development for the past few years, has improved, according to the latest statistics.

The volume of freight traffic over the first 6 months of last year went up 6.4 percent to 823.1 billion ton-kilometres, while the volume of passenger traffic reached 218.28 person-kilometres, an increase of 2.9 percent.

Cargo handled at principal sea ports increased by 13.8 percent over the same period of 1985 to reach 1.8 million notes.

The total capital construction investment by the state-owned enterprises was 33.7 billion yuan in the first half of this year, an increase of 7.9 percent over the same period of 1985, which witnessed an alarming 43.5 percent increase.

Retail sales over the same period reached 235.1 billion yuan, up 11.8 percent.

The spokesman pointed out that there were still some problems in China's economic development, including poor economic efficiency in state-owned industrial and commercial enterprises state expenditure outstripping state revenue and a continued foreign trade imbalance.

According to China's customs figures, the country suffered a trade deficit of $6.47 billion in the first 6 months of this year, with $13.56 billion earned from exports and $19.9 billion spent on imports.

Japan and the United States were the two countries with which China suffered the biggest trade imbalance, the spokesman said.

China's imports from the two were worth $5.84 billion and $2.47 billion respectively, while its exports to these countries earned only $1.16 billion and $2.36 billion.

/12232
CSO: 4020/396

ECONOMIC MANAGEMENT

PLAN TO REVITALIZE 'THIRD-LINE' INDUSTRIES

HK200344 Beijing CHINA DAILY in English 19 Jul 86 p 2

[By staff reporter]

[Text] The central government has unveiled a massive re-structuring and renovation scheme to bring back to life an ailing industrial force hidden in the hilly areas of China's hinterland.

A whole series of factories set up between 1965 and the mid-1970s to prepare for a major war that never happened are now faced with shrinking military orders, and much of their production equipment and brainpower has been lying idle.

About 45 percent of these inland factories have serious problems with transport, energy supplies and management. At least 7 percent are badly located, nestling deep in rugged mountains or other sites unsuitable for normal production and trading.

Under a newly-released plan, more than 100 badly-located factories will be among the first group to be moved out of the outlying mountainous areas to medium and small cities or to areas with more convenient transport links.

The move is designed to introduce a host of economically-isolated industries into the current economic reform and integrate them with the thriving economies of China's coastal provinces.

These inland factories, popularly known as "third line" industries in contrast to the "first line" industries in the country's coastal provinces, now total 2,000 large and medium-sized plants involved in the space, aircraft, electronics, chemical and machine building industries.

They are now located in Sichuan, Guizhou, Yunnan, Shaanxi and the western parts of Henan, Hubei and Hunan Provinces.

They were established by the state at the expensive price of 200 billion yuan. At the moment, however, some of these firms are operating at only one-third of their capacity or even less.

Experts say that after some of the factories are re-located, they could easily double their production capacity "within a short period of time."

Urgent efforts are being made to speed up the conversion of the"third line" enterprises to civilian prodcution. Many have already begun producing civil goods.

The move is also part of the nationwide reorganization of China's defence industries. By 1990, at least 80 percent of the production of defence industries will be for civilian use, double the present figure.

Zhou Changqing, deputy director of the "Third Line" Construction Readjustment and Renovation Planning Office under the State Council, said that by the end of 1985, the civil goods output value of the "third line" industries accounted for 40 percent of their total production value.

He said that many factories were now pooling their efforts to produce large-scale hydraulic, thermal and nuclear power generating equipment, railway locomotives and vans, automobiles, advanced textile machinery, electronic products and other urgently-needed articles.

"Thrid line" industries have access to the rich mineral resources of one quarter of China's total territory and almost 80 percent of the country's water energy resources.

/12232
CSO: 4020/396

COMMISSION TO REDUCE CAPITAL CONSTRUCTION PROJECTS

OW210626 Beijing XINHUA in English 0616 GMT 21 Jul 86

[Text] Beijing, 21 July (XINHUA)—The State Planning Commission will check the country's capital construction projects one by one through a national inspection in the second half of this year.

And the authoritative commission will postpone or cancel some in order to reduce the scope of capital construction and making it possible for the country to use its limited funds on key projects.

This was announced by a commission spokesman in an interview with XINHUA and the Central Broadcasting Station today.

China's Seventh 5-Year Plan (1986-1990) calls for giving priority to what is badly needed—energy development, transportation and communications, and raw and semi-processed materials projects.

But in the first 6 months of this year, said the spokesman, the proportion to the total investment was still too big for non-essential projects, and that for raw and semi-processed projects even showed a downward trend.

In addition, he said, the scope of capital construction had expanded in such a way that China would likely spend more money on it this year than planned, thus affecting people's life and the development of other sectors of the national economy.

The spokesman, declining to give specific statistical figures on the question, called for "resolute" measures to cancel or postpone the construction of non-essential and redundant projects, as well as projects which are beyond the country's capabilities to build at present.

/12232
CSO: 4020/396

FACTORIES IMPLEMENT GERMAN MANAGER'S PROPOSALS

OW291706 Beijing XINHUA in English 1411 GMT 29 Jul 86

[Text] Wuhan, 29 July (XINHUA)—Four Wuhan factories have begun efficiency and quality control reforms proposed by Werner Gerich, the first foreign manager of a Chinese enterprise since the founding of New China in 1949.

Begun with the approval of the Wuhan City Council, the reforms will streamline administrative structures and improve production efficiency and the quality of products, local officials said today.

Each factory will have two directors, responsible for the management and production, respectively, plus one quality control officer. The three are responsible to the factory's director-general, who is responsible to the state and the factory.

the 260,000-Chinese character proposal, on which Gerich worked for 2 months this year, also calls for eliminating the overlapping work by the factory's party committee and management.

The first proposed by a foreigner to be implemented by Chinese enterprises, the reforms follow the national trend toward giving more power to factory managers and regularizing work procedures.

In addition, at Gerich's suggestion, the four factories now require all staff members, from teh directors-general to every worker in the factory, to be qualified for their jobs according to written standards.

The proposal specifies the power, responsibility and paymetn for each job, thus allowing no one to occupy a post for which he or she is incompetent, said a city official today.

"My proposal, which stresses efficiency, will be applicable not only to factories, but also to all other units, including government offices," the German engineer once told Wuhan officials.

The reform of the Wuhan diesel engine plant, which Gerich has managed since November 1984, of the Wuhan steam turbine generator plant and of tow factories is being supervised by a vice-mayor of the city. Gerich, 67, is now vacationing in his native Federal Germany. "When he comes back, he will see the results his proposals are already yielding," a city official told XINHUA today.

/12232
CSO: 4020/396

ECONOMIC MANAGEMENT

JOURNAL ON FORMS OF TOWN COLLECTIVE ENTERPRISES

HK221551 Beijing JINGJI GUANLI in Chinese No 5, 5 May 86 pp 26-28

[Article by Xing Yichu [6717 6654 0443]: "On the Economic Forms and Methods of Management of Collective Industrial Enterprises in Towns"]

[Text] The comrades who hold the view that the township and town collective economic sector should have only one economic form and one management method think that the radical difference between collective enterprises and enterprises owned by the whole people is that the power of ownership is closely merged in a unity with the power of management in a collective enterprise; therefore, they think that the practice of "appropriately separating these two kinds of power" is only applicable inside the economy owned by the whole people in our country and to the combines that are joint ventures between different owners. They think that collective ownership, combination of the two kinds of power, and being independent commodity producers are the fundamental characteristics of collective enterprises. The comrades who hold the view that there should be diverse specific economic forms in the township and town collective industrial economic sector hold that the essential characteristic of collective enterprises is that the means of production are owned collectively by a part of the laboring masses, but the scope of these people's collective ownership differs from one to another: So does the relation between the ownership of the means of production and the power of management. In one enterprise owned by a collective of laborers, the two powers are closely related; but in combined handicraft cooperative or a township and town combined collective industrial cooperative, these two powers can and should be separated properly. I think that clarifying this issue is conducive to the implementation of the principle of letting the state, collective, and individual sectors develop together and facilitate carrying out a structural reform in the collective economic sector and promoting the development of the productive forces.

In the various periods since the founding of the PRC, there has never been only one economic form for our township and town collective industrial economic sector, but diverse economic forms.

1. What emerged earliest were the handicraft industrial cooperative organizations that were set up after the socialist transformation of the individual handicraft traders. In 1953, the CPC Central Committee approved and circulated the "Report on the Third National Meeting on the Cooperative Transformation of

the Handicraft Industry" by the Chinese National General Combined Cooperative, which proposed three specific economic forms. The first was handicraft industrial production team, in which means of production were owned by members of the teams. The second was the handicraft industrial supply, marketing, and production cooperative, which was formed by individual handicraft laborers or a few handicraft industrial production teams in order to overcome their common difficulties concerning their purchases of raw materials and marketing of products. At the beginning, means of production were owned by members or production teams, but as production developed, the means of production owned by cooperative members would gradually be evaluated and sold to the cooperative and become collective property. The third was the handicraft industrial production cooperative, which was an advanced form of the socialist transformation of our handicraft industry. In this form, if major means of production were owned by cooperative members as a collective and if distribution according to labor was carried out, it was of a socialist nature; and if the major means of production had not yet become property that was entirely owned by the collective, and if distribution according to labor was not carried out in full, it was of a semi-socialist nature.

In addition, as the economic sector of groups of combined handicraft industrial cooperatives at various levels developed, and as there was a need for the supply of services for basic-level enterprises before and after their production and for their technological transformation, from 1957, cooperative factories owned by large collectives were gradually set up. The means of production in these factories belonged to groups of combined cooperatives, which developed in the course of providing services for the production and operation of basic-level cooperatives. Later, under the influence of "leftist" ideas that pursued large-scale and pure public ownership, most or all handicraft cooperative organizations were turned into cooperatives owned by large collectives.

2. During the movement of the "Great Leap Forward" in 1958, urban district collective industrial enterprises were set up mainly by laboring women and housewives. These enterprises were of collective ownership and their means of production belonged to districts or neighborhood committees, but they differed greatly from handicraft cooperative organizations. In a handicraft cooperative organization, the members collectively owned their means of production, contributed their share of capital, were paid dividends for their shares, as well as for their labor, and democratically elected their leaders. The neighborhood collective industrial enterprises, however, were set up without any capital investment by relying on help from the strength of society. The members who joined these enterprises had not paid any share capital nor were paid any dividend. For another example, there are the collective industrial enterprises that have been set up since 1979 to provide jobs for educated youths. They are called cooperatives or other names. The members of these newly established cooperative organizations have not subscribed to or paid any share of the capital of the cooperative organizations, which have been set up by relying on support from the state or the relevant enterprises. They also differ greatly from the handicraft cooperative organizations that were set up in the period of the socialist transformation.

3. Over the past few years, through the economic structural reform, new forms of cooperative economy with share capital has emerged inside the urban collective

industrial economic sector. For example, some collective enterprises have issued shares or received investment from social groups; joint ventures have been set up between urban collectives and township and town or neighborhood collective enterprises, between collective industrial and commercial enterprises, and between industrial and commercial enterprises; and collective share enterprises have been set up in which groups of combined cooperatives, collective enterprises, and individuals have jointly invested. These newly established share enterprises have very great vitality and play an important role in absorbing a portion of consumption funds and thus turning them into funds for the production and operation of enterprises, giving play to the initiative of collective enterprises in conducting investment, promoting the reform of the ownership structure inside our collective economy, and thus pushing forward the healthy development of our collective economy.

From the above process of historical development, we can see that inside our urban collective industrial economic sector, four economic forms have taken shape or are taking shape: 1) Means of production are owned by the members of the collective industrial cooperatives; 2) Means of production are owned publicly by the collective of the members of the industrial cooperative enterprise; 3) Means of production are owned by the group of combined cooperatives (or the responsible department) at the upper level; and 4) Means of production are owned by shareholders. All the above-mentioned four economic forms with different ownership are forms of collective ownership, but their actual forms of ownership are diverse and differ in many ways. They mainly differ in the following ways:

1. The owners and scope and degree of ownership differ. For the first form, the ownership is in the hands of the members of the industrial cooperative organizations, as in a handicraft industrial production team; for the second form, the ownership rests with the collective of the industrial cooperative enterprise, as in an advanced handicraft industrial cooperative; for the third form, the ownership resides in the great collective of a group of combined cooperatives and is of such a relatively big scope as that in a large collective cooperative factory; and for the fourth form, the ownership is in the hands of the shareholders. The degree of public ownership depends on who the shareholders are.

2. Their sources of funds and distribution of income differ. For their sources of funds, collective or cooperative enterprises mainly rely on raising funds on their own or from their own accumulation. For the first economic form, the funds for the production and operation of the enterprise mainly come from the share capital paid by its members. The income from its production and operation can be paid to members as dividends after paying them wages as remuneration for their labor and paying income tax, but a certain proportion of it has to be transferred to collective welfare funds and collective reserves for the purchase of necessary fixed assets. If the enterprise suffers losses, it has to shoulder directly the economic responsibility for them and the losses will mean a reduction in the share capital contributed by its members. For the second form, the funds for production and management should also be contributed by the members of the enterprise in the form of share capital, and distribution according to labor is carried out, so that the income from its production and

operation, after paying income tax, should be distributed according to a stipulated proportion, some being transferred into collective reserves and welfare funds, some being paid as labor remuneration, and some being paid as dividends. The enterprise has to rely on its own collective accumulation to carry out its expanded reproduction. Similarly, the capital contributed by its members has to shoulder direct economic responsibility for the enterprise. For the third form, the funds needed by the enterprise for its production and operation come from the group of combined cooperative at the upper level. Generally the staff and workers do not contribute any capital to the enterprise in the form of shares, but the enterprise can issue bonds to its staff or workers or to social groups in order to raise capital. The enterprise can retain a certain percentage of its after-tax profit and in this way its initiative and independence in carrying out its production and operation is brought into play. For the fourth form, a share enterprise set up by the investment from social groups, enterprises, or individuals generally does not require its staff and members to contribute to its share capital, but they can subscribe to the shares issued by their enterprise if they are willing to. Its after-tax profit has to first be used to pay dividends on its shares and then be retained by the enterprise, which will transfer it to its reserves or production development funds, public welfare funds or collective welfare funds, and reward or labor bonus funds.

3. The leadership systems inside the enterprises differ. In the enterprise of the first form, the organ of power is its members assembly or congress, which democratically elects the enterprise leading group and decides the production and operation principles and distribution of income for the enterprise. In the enterprise of the second form, the organ of power is its staff and workers (members) assembly or congress, which democratically elects its board, inspection committee, and factory director. The factory director responsibility system is implemented. Major policy decisions of the enterprise have to be discussed and approved by the staff and workers (members) assembly or congress. For an enterprise of the third form, its factory director is appointed by the group of combined cooperatives at the upper level. The factory director responsibility system is implemented with the support of the intensification of the work of the party organizations, management, and trade union. Its staff and workers congress is its organ of democratic management. In the enterprise of the fourth form, the board of directors is formed by election and the factory director is appointed or employed by the board. The factory director responsibility system is implemented and should also be supported by the intensification of the work of the party organizations, management, and trade union, and the role of democratic management by the staff and workers congress should also be given play.

4. The methods of management in the enterprises differ. The management methods of our urban collective industrial enterprises are diverse in form. Some of the enterprises are managed by the collectives with the power of management in the hands of the enterprises. The enterprises operate independently, shoulder sole responsibility for their profits and losses, are managed democratically, carry out distribution according to labor, and are independent producers and operators. Some of them have assigned their management or rented it by contract to individuals or collectives, and the power of management is

in the hands of the contractors or rentees, who shoulder responsibility for the results of their management. The management of others is in the charge of the factory directors who are employed or appointed by the board elected by the shareholders or by the upper-level groups of combined cooperatives (or by the responsible department).

5. The power of ownership over the means of production and the power of management are unified in some of the enterprises and appropriately separated in others.

a. The means of production are owned by the collective of the enterprise, which carries out the production and operation of the enterprise collectively. The power of ownership and management in this kind of enterprise is unified.

b. The means of production are owned by the members of the cooperative organizations and the management is carried out jointly by the cooperative organizations. In such enterprises, the power of ownership and management is separated.

c. The means of production are owned by the collective of the enterprise, the management of which is rented or assigned to individuals or collectives by contract. The two aspects of power are also separated here.

d. The means of production are owned by the group of combined cooperatives (or responsible department) at the upper level, which employs or appoints a factory director to be in charge of the enterprise's management. The two aspects of power are separated here too.

e. The means of production are owned by shareholders in a share enterprise, which employs or appoints a factory director to manage it. The two aspects of power are separated here too.

Among the above-mentioned many economic forms and management methods, the main form and method should be the collective enterprise in which the enterprise owns the means of production and carries out the management and thus unifies the two aspects of power. However, we should by no means reject or negate the many other forms which separate the two aspects of power. These diverse forms with power of ownership separated from power of management not only actually exist, but are also necessary for the coordination of the relations of interest between various parties. They match the level of development of our productive forces and can bring into play the initiative of the producers and managers. Therefore, we must give play to the advantages of various economic forms and management methods in order to promote the sustained, stable, and harmonized development of collective industrial production.

/12766
CSO: 4006/1231

PAPER STUDIES ENTERPRISES SHARES SYSTEM

Part 1

HK240539 Beijing JINGJI CANKAO in Chinese 2 Jun 86 p 2

[Article by Gu Tiefeng [7357 6993 7364]: "Implementing a Shares System To Restore the Original Features of Collective Enterprises--Discussion on Theory and Practice of an Enterprise Shares System (Part One)"]

[Text] From 13 to 16 May, the administrative bureau of machine building industry of Shenyang City held a theoretical discussion on the enterprise shares system. Some 200 experts, scholars and economic workers from various parts of the country explored and studied the problem of the enterprise shares system on the basis of combining theories with practice.

Participating experts and scholars maintained that the implementation of a shares system would restore the character, original features and appearance of the collective enterprises.

The work of implementing a shares system by the administrative bureau of machine building industry of Shenyang City was started in the Shenyang miniature compressor plant and the Shenyang compressor valve plant. Collective enterprises were originally economic organizations run by laborers who jointly raised funds, owned the means of production, worked together, and employed a method of distribution according to work and shares. However, with "leftist" ideology and dogmaticism running wild, the form of such organizations was sabotaged. As a result, the line of demarcation between ownership by the whole people and collective ownership became obscured. The sense of responsibility of staff members and workers as the masters of their own enterprises became blunted.

Shenyang miniature compressor plant and Shenyang compressor valve plant have drawn a profound lesson in this regard.

Shenyang miniature compressor plant was officially established in 1962. Its predecessor was a cooperative production group run by shareholders who were responsible for the profit and loss of the group. The only old-fashion belt-driven lathe was bought by money paid for shares. Tools needed in production were brought from home by shareholders. Although production conditions were simple and crude, and very often workers' wages could not be paid on schedule, the workers never thought of dissolving the group. On the contrary, they united closely, and everyone suggested ways and means by which the production group could survive. When the plant was officially established, wages for workers could be paid regularly. In addition, the plant bought facilities and equipment, and paid business tax and profit tax to the state. However, due to the influence of the "leftist" ideology of "larger in size and having a higher degree of public ownership," some people thought that the higher degree of public ownership the better. The enterprise was gradually turned from a production group, into a cooperative which belonged to a neighborhood committee, into a small collective unit which belonged to a district, and finally into a big collective unit which belonged to the city. Staff members and workers gradually depended on the state, successively drew back their individual shares, and gave up their ownership power over the enterprise assets. Staff members and workers no longer cared about enterprise business and development of collective enterprise was severely hampered.

In the reform process over the past 2 years, the administrative bureau of machine building industry in Shenyang City has realized that a complete reform of the ownership system is a fundamental way of overcoming the various defects of collective enterprises. Efforts should be made to restore the character and original features of the collective enterprises so that production relations will be in accord with the development level of productive forces. Besides, the administration of collective enterprises based on state-operated patterns should also be changed. The ownership structure inside enterprises should be reformed, and administration based on a shares system should be set up. In June last year, the bureau gained initial experience implementing a shares system in two collective enterprises on a trial basis. In March this year, the experiment was expanded to 19 collective enterprises, and a small enterprise under ownership by the whole people, which was administered according to the requirements of a collective enterprise. A better result was achieved in this regard.

Profound changes have taken place in the short period of less than 1 year, in the two collective enterprises which have implemented a shares system since June last year, with regard to their business management and the mental outlook of their staff members and workers. 1) The character and original features of collective enterprises have been restored so that the form of collective ownership is in accord with the present level of development of the productive forces. Productive forces have thus been liberated. 2) Since the implementation of the shares system, staff members and workers have truly become the masters of their enterprises. This has given play to their enthusiasm and creativity. Staff members and workers are owners of the assets of the enterprises. In the meantime, they are also operators, laborers and beneficiaries. The interests of staff members and workers are closely integrated with those of the enterprises. When enterprises feel proud of their success, so do their staff members and workers. When enterprises suffer losses, so do their staff members and workers. Therefore, the sense of responsibility of staff members and workers as masters of their own enterprises has been strengthened. They show extensive concern for the production and business management of their enterprises. 3) Due to the fact that staff members and workers have become shareholders, enterprises may turn their idle consumption funds into production funds to solve the difficulties of the enterprise's insufficient funds. 4) Generally speaking, staff members and workers are shareholders for life. They should carry out the commitments of running their enterprises. They will take a risk in this respect. Therefore, they should double their efforts to pay attention to their enterprise's prospects and the growth of their assets. This will overcome the tendency for enterprises to seek only partial and short-term interests.

Part 2

HK240543 Beijing JINGJI CANKAO in Chinese 3 Jun 86 p 2

[Article by Gu Tiefeng [7357 6993 7364]: "Implementing a Shares System Is a Breakthrough Point in Reforming the Ownership System--Discussion on Theory and Practice of an Enterprise Shares System (Part Two)"]

[Text] Many experts and academics attending the symposium held that the implementation of the enterprise shares system is a point of breakthrough in, and an important component of, reforming the ownership system.

Prior to the symposium, the leaders of the Shenyang City machine-building industry administrative bureau had gone to Beijing to make special reports to the State Commission for Restructuring the Economic System, the State Economic Commission, and the Ministry of Machine-Building Industry. They had also sought instructions from Yu Guangyuan, Ma Hong, Liu Guoguang, Jiang Yiwei, and other economists on some theoretical issues. Yu Guangyuan said: "The socialist shares system is an issue in the category of the structural reform of the form of ownership. The shares economy is a form of the cooperative economy and represents a new development of the diverse forms of the socialist cooperative economy." Ma Hong said: "I favor the implementation of the shares system in enterprises. The implementation of the shares system has at least two advantages: First, it can solve or ease capital shortages; second, it can closely link the interests of the state, the collective, and the individual." Liu Guoguang said: "I have always favored the enterprise shares system. I think not only should collective enterprises institute the shares system but also large and medium-sized key enterprises should conduct experiments at selected units. If enterprises want to develop lateral associations, they should institute the shares system so that the lateral association can develop steadily and over a long period." Jiang Yiwei said: "I am all for the implementation of the enterprise shares system. You are now conducting experiments on distribution according to work or bonus distribution according to the number of shares held. In the future, you can also share out bonus according to posts and economic responsibility assumed, and combined distribution according to work with bonus distribution according to the number of shares held."

The experts and academics attending the symposium fully affirmed the trial implementation of the enterprise shares system by the Shenyang City machine-building industry administrative bureau.

--The implementation of the enterprise shares system represents a major breakthrough in reforming the ownership system. Feng Yuzhong, president and associate professor of Liaoning University, said: By instituting the shares system in collective enterprises the Shenyang City machine-building industry administrative bureau is setting right the ownership system relationship, which represents a highly creative, fundamental reform. Professor Gu Shutang, dean of the Economics Institute of Nankai University, held that socialism should undergo different stages of development. In the early stage of socialism, the coexistence of diverse ownership forms, with the system of public ownership as the main body, is more suited to the current development of the productive forces. Since diverse forms of ownership are allowed to exist side by side, the implementation of the shares system is legal. Facts have proven that enterprises instituting the shares system can promote the development of the productive forces. In this sense, the existence of enterprises implementing the shares system is both legal and rational.

--The implementation of the shares system has defined, in terms of economic relationship, the status of the workers and staff members as masters of the enterprises, and can satisfactorily handle the relationship between the interests of the state, the enterprise, and the workers and staff members and promote the development of the productive forces. Gu Shutang held: With the workers and staff members "procuring shares" in enterprises, the means of production are directly integrated with laborers, the relationship between the interests of the state, the enterprise, and the workers and staff members is in greater harmony, the role of the workers and staff members as masters of the enterprises can easily be brought into play and, since the workers and staff members are concerned about the development of the enterprises and their economic performance, they will certainly bring into better play their initiative.

--The implementation of the shares system can promote lateral economic association among enterprises. Jiang Yiwei held: The implementation of the enterprise shares system has broken down the barriers between localities and departments and between different ownership systems and can promote lateral economic association between enterprises. Wang Guishan, head of the investigation and study office of the economic work department of the Liaoning Provincial CPC Committee, held that the implementation of the enterprise shares system can promote the lateral flow and rational formation of funds and labor and the in-depth development of lateral economic association.

--Instituting the shares system in collective enterprises is of great value to state enterprises. Jiang Yiwei held that the experience gained by the Shenyang machine-building industry administrative bureau in experimenting with the shares system is not only suited to collective enterprises but is also of great value to state enterprises. In theoretical terms he explained various questions, such as that the workers in state enterprises should have relative ownership and power of operation and should become the main body of the enterprises. He also held that state enterprises should also implement the shares system.

Part 3

HK270927 Beijing JINGJI CANKAO in Chinese 4 Jun 86 p 2

[Article by Gu Tiefeng [7357 6993 7364]: "Theories Concerning the Implementation of the Shares System Need Further Exploration--Discussion on Theory and Practice of an Enterprise Shares System (Part Three)"]

[Text] While studying the shares system, the experts and scholars attending the symposium also made an in-depth study of some theoretical issues concerning the enterprise shares system.

The theoretical issues discussed at this theoretical symposium are as follows:

First, the shares system has emerged at the time required by the development of the socialist commodity economy and suits the needs of the development of the social productive forces. This is progress. At this theoretical symposium, by applying the materialist conception of history of Marxism, all the experts and scholars made an analysis of the development of the planned commodity economy based on socialist public ownership in our country and the historical inevitability which have resulted in the diversification of the ownership of enterprises and the birth and development of the shares system economy. In their theses delivered at the symposium, many experts and scholars stressed this basic viewpoint of Marxism: Production relations must suit and promote the development of productive forces. This means that the specific pattern of the system of ownership of the means of production must be decided by the state of development of the social productive forces.

In the light of this basic viewpoint, in the process of economic structural reform, we must carry out the necessary readjustments and transformations of ownership relations, which were formed under the long-term influence of "leftist" ideology and as a result of the blind pursuit of "making the people's communes larger in size and having a higher degree of public ownership," according to the objective needs of the development of the productive forces.

Second, the implementation of the shares system is a reform of the ownership structure. As it does not shake the dominant position of socialist public ownership, it will generally not change the socialist nature of enterprises. Jiang Yiwei said that the shares system we are pursuing has Chinese as well as socialist characteristics. He said that basically there are three patterns of buying shares to make an investment: 1) Investment made between publicly owned enterprises (including whole-people-owned and collective enterprises); 2) shares bought by the enterprises' staff and workers; and 3) funds raised in society, that is, the individuals in society can buy shares to make an investment. Thus, there will be various mixed ownerships; and there will not be a demarcation line between whole-people-owned and collective enterprises. The only difference between them will lie in the proportion of shares held by "state capital." He believed that as long as public ownership still occupies a dominant position in terms of the capital in the whole society, the socialist nature of enterprises will not be changed.

Third, by upholding the distribution pattern of effecting distribution mainly according to work while making the sharing of bonuses according to shares held subsidiary, the enterprises shares system can further reform and perfect the distribution system within enterprises. The experts and scholars attending the symposium believe that at the present stage, as the patterns of ownership systems are not unitary, the patterns of distribution systems should surely not be unitary. On the premise of effecting distribution according to work, the existence of varied distribution patterns, including paying interest and distributing bonuses according to shares held should be allowed. 1) Under the condition of socialism, after the implementation of the shares system, as public ownership holds a dominant position, the pattern of effecting distribution according to work among laborers within this general framework will also be in a dominant position. 2) As the use of the means of production and capital should be compensatory, distributing share interest and bonuses according to shares should also be allowed and the small quantity of nonlabor income should also be made legitimate. 3) As long as we adopt the necessary restrictive measures through laws and decrees like taxation, we can prevent the emergence of a stratum of exploiters.

The experts, scholars, and economic workers attending the symposium believe that some issues still need further exploration and study.

1. The issue concerning the nature of bonuses. Some people hold that as the distribution of bonuses to individual shareholders in society is a kind of exploitation of the labor of other people, its exploitative nature should be recognized. Therefore, it should not be regarded as an extension of the value of labor and of the pattern of distribution according to work. However, the existence of this kind of distribution should be allowed. Some other people believe that this kind of bonus is a kind of distribution according to work and does not have an exploitative nature.

2. The issue concerning issuing shares in society. Most people believe that we should issue shares not only inside enterprises but also outside enterprises. However, some others believe that the issuance of shares should be strictly limited to within enterprises and that it is not appropriate to issue shares to individuals in society.

3. The issue concerning the scope of the implementation of the shares system. Most people believe that at present the shares system can be implemented in both whole-people-owned and collective-owned enterprises. Some comrades believe that it should also be tried out in the large and medium-sized key enterprises. But some people maintain that it is not appropriate to implement the shares system in whole-people-owned enterprises; and some others hold that at present the shares system can only be tried out within a smaller scope and that it is not proper to carry it out in most enterprises.

4. The issue concerning the control of the shares of individuals. Some people believe that the shares held by individuals should be controlled and that the proportion of shares held by individuals in the total shares of an enterprise should also be restricted. Some others maintain that as long as the state ensures in general the dominant position of the public shares, the shares held by individuals in a specific enterprise should not necessarily be restricted.

5. Regarding the structure of leadership in an enterprise after the implementation of the enterprise shares system, some people hold that the director responsibility system under the leadership of a board of directors should be adopted. And some others maintain that it is not necessary to set up a board of directors, but necessary to bring further into play the role of workers and staff representative assemblies.

/12766
CSO: 4006/1231

ACHIEVEMENTS OF COUNTIES CARRYING OUT REFORM NOTED

HK231536 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 22 Jul 86

[Text] The counties which are conducting experiments in rural comprehensive reform have developed their economy relatively quickly and gradually changed their outlook.

Our province began the work of conducting experiments in rural comprehensive reform in counties in 1979. The number of counties conducting experiments has gradually increased from 3 to 37. The counties conducting experiments in reform have assumed financial responsibility for their work and the provincial authorities have formulated certain special policies for them.

With a view to fulfilling or overfulfilling their quotas, all these counties have vigorously readjusted their production structure, reformed their economic and administrative organs, and reduced the number of their nonproductive personnel. At the same time, they have extensively popularized all forms of the system of contracted responsibilities so that all trades, professions, and production units throughout the counties can be linked together through contracts and they can supplement and promote each other. The peasants' production responsibility system, workers' economic responsibility system, commercial personnel operation responsibility system, cadres' personal responsibility system, and science and technology personnel technology responsibility system have been closely integrated, the enthusiasm of all quarters have been fully aroused, and the economy of whole counties has quickly developed.

According to the investigation conducted in, and statistics compiled by, seven different kinds of counties, including Guanghan, Qionglai, Xindu, Hongya, Fengjie, Gulin, and Hechuan, compared with that in 1978 average industrial and agricultural output value in 1985 increased by 137 percent, the gross output of grain by 24.3 percent, township enterprises' gross output value by 673 percent, financial revenue by 95.2 percent, and rural per capita income by 34.8 percent. They were much higher than the province's average levels. The outlook of the counties conducting experiments in comprehensive reform has profoundly changed. According to the incomplete statistics of Guanghan, Qionglai, and Xindu, which were the first three counties conducing reform, since 1978, some 40 percent of peasant households have built houses; the floor space of buildings newly-built in the three counties with financial appropriations or with profits retained by enterprices, including cultural, educational, and public health facilities, office buildings, as well as living quarters in cities and towns, totals over 1 million [word indistinct]; and the majority of townships have built cinemas, clinics, and cultural centers. At present, the relations between the cadres and the masses in these counties conducting experiments in comprehensive reform are closer, the grassroots party work and the building of political power have been strengthened, social order is good, people live and work in peace and contentment, and a picture of prosperity is emerging in the urban and rural areas.

/12232
CSO: 4006/1249

ANHUI RADIO REVIEWS RESULTS OF ECONOMIC REFORM

OW251321 Hefei Anhui Provincial Service in Mandarin 1000 GMT 24 Jul 86

[Station Commentary: "Active Reform and Beneficial Exploration"]

[Excerpts] Early last year, the provincial CPC Committee and government designated 22 countries, including Fengyang and Dangtu, for trial of reform of the economic structure at county level. In carrying out this experiment, which is quite broad in scope compared with experiments in other parts of the country, the various departments at the provincial, prefectural, and county levels have done a great deal of effective work. In the past year and more, the 22 counties have smoothly implemented reform. They have achieved speedy economic development and better economic results last and the good momentun in economic development continued in the first half of this year.

We must fully affirm the achievements of our province in comprehensive reform of the economic structure at county level. However, there exist some problems and shortocmings for which we must find a solution. First, we must enhance our understanding of the comprehensive reform of the economic structure at county level, have a firm attitude to reform, and adopt reliable measures. We must overcome obstructions and resolutely implement reforms when we are sure of the problem; when we are not sure we should try to solve it while carrying out our work. At the same time, we must firmly implement supplementary reform measures. Secondly we must vigorously promote lateral economic association, develop village and town enterprises, and earnestly implement and improve on reform measures taken. Government organizations should change their functions and enhance macroeconomic management. Party and government leadership at all levels should further emancipate their minds, be bold in practice and research into finding out the laws of reform, improve the various categories of management expedite the smooth progress of comprehensive reform of the economic structure, and make more contributions to enhancing the province's economic strength.

/12232
CSO: 4006/1249

ECONOMIC MANAGEMENT

FUJIAN CONFERENCE ON ECONOMIC REFORM HELD

OW290447 Fuzhou FUJIAN RIBAO in Chinese 19 Jul 86 p 1

[Excerpts] The provincial work conference on reform of the economic structure in 1986 convened by the Fujian Provincial Government was held in Fuzhou 17 July. The conference focused on the achievement of developing lateral economic cooperation and related issues.

Vice Governor You Dexin presided over, and Vice Governor Wang Yishi addressed the conference.

In recent years, lateral economic cooperation has rapidly developed in Fujian Province. According to statistics, Fujian Province has established various modes of lateral economic ties with 28 provinces, municipalities and autonomous regions, 25 central departments and their affiliated units, as well as with Qinghua University and 9 other key universities. Governments of other provinces, at or above prefectural and city level, have established 48 offices in Fujian Province. A total of 41 prefectures, cities, and counties in Fujian Province has established friendship ties with counterparts in other provinces, municipalities, and autonomous regions. More than 5,200 enterprises have joined over 2,200 economic associations with close, fixed, or long-term economic cooperation ties.

To develop lateral economic cooperation more extensively and intensively in Fujian Province, Comrade Wang Yishi stressed that we must first enhance our understanding ideologically for the development of lateral economic cooperation, and also further emancipate our minds. We must realize that the development of lateral economic cooperation is an inevitable requirement for developing a socialist commodity economy, and is also in keeping with the needs of opening the province to the outside world. Through cooperation, we can hasten development of resources, develop export products to earn foreign exchange, and enhance product competitiveness on the international larket. Through cooperation, we can accelerate infrastructural construction, improve the investment environment, and enhance the ability to attract foreign capital. Through cooperation, we can quicken the importation of technology, facilitate the absorption, digestion, and innovation and of management expertise, transform the existing enterprises and traditional industries, and enhance our self-reliance capability. Through cooperation we can also step up development of special economic zones and zones open to foreign investments, thereby projecting our economic strength at home and abroad.

Wang Yishi concluded: Reform of the economic structure is a great event of the whole party. To ensure its smooth progress, the party committees and governments at all levels must sterngthen leadership over this work. In formulating reform programs and carrying out the various reform measures, the various localities, departments, and enterprises must draw up detailed plans, take into full account problems likely to arise, and adopt corresponding measures to tackle the problems. Problems which crop up in the course of reform must be promptly studied and solved. We must also further improve the environmemt for reform, and push the development of lateral economic cooperation in the province.

/12232
CSO: 4006/1249

FUJIAN CONTINUES COMMERCIAL MANAGEMENT REFORMS

OW241427 Beijing XINHUA Domestic Service in Chinese 0046 GMT 24 Jul 86

[By reporter Liu Xianpeng, correspondent Wu Yilong]

[Excerpts] Fuzhou, 24 July (XINHUA)--The Fujian provincial CPC Committee and the provincial People's Government have taken active measures to revitalize enterprises as a means to promote reform of the commercial circulation system.

Two years ago, the provincial Party Committee and the provincial government actively supported the demands of managers in promoting commercial enterprise reform. As a result, the management of a large number of enterprises had become more open, and social and economic results have markedly improved. However, decisionmaking powers have not been duly delegated to most of the enterprises, thereby hindering their transformation and development.

Leading comrades of the provincial Party Committee have called on leaders at various levels to earnestly implement the central authorities' regulations on delegating powers to the enterprises, and to return such powers to them if they have been confiscated. The leading comrades of the provincial People's Government, the Departments of Finance, Taxation, Banking, Commodity Price Control, Planning, and Labor and Personnel, and the Industrial and Commercial Administration have attentively heard and studied opinions by commercial enterprise managers, and have taken appropriate measures in this respect. The provincial government has reaffirmed that, in accordance with state regulations, profits retained by commercial enterprises are subject to disposal by the enterprises. Enterprises are also authorized to set prices for commodities according to product quality and to the seasons.

/12232
CSO: 4006/1249

GANSU RADIO URGES GOOD ATMOSPHERE FOR PLANT MANAGERS

HK250213 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 24 Jul 86

["Chat for Everybody" by (Li Zengjiang): "Create a Relaxed Environment for Promoting the Plant Manager Responsibility System"]

[Excerpts] (Qi Jianji), manager of the Lanzhou silk textile mill, acted as a pioneer in reform, but was investigated by the departments concerned for his pains. The Lanzhou City CPC Committee and government leaders personally went to the plant to find out the situation. They affirmed the plant's orientation of reform and supported (Qi Jianji's) reforms. This method of providing strong support for reformers is worthy of praise.

Certain people, proceeding from preserving the interests of individuals or small cliques, latch onto shortcomings or defects or reformers to make a big fuss, seizing upon one point and ignoring the overall picture. Some people go so far as to spread rumors and slanders to attack reformers. Others distort the facts and write anonymous letters. Others lay false charges to frame people. As a result, plant managers who are keen on reform and have the pioneering spirit get into an awkward predicament, and the plant manager responsibility cannot be implemented in all-round way.

The leaders at all levels must go deep into reality to investigate and study, distinguish between right and wrong, and take a firm and clear-cut stand in supporting reform. They must create a relaxed environment for promoting the plant manager responsibility system.

/12232
CSO: 4006/1249

ECONOMIC MANAGEMENT

GANSU MEETING URGES IMPROVING ENTERPRISE MANAGEMENT

HK270531 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 26 Jul 86

[Excerpts] The second meeting of the provincial leadership group for strengthening enterprise management, which was convened on 26 July, proposed that in enterprise work it is essential to correct the trend of only paying attention to technological transformation and importation and attaching little importance to management; it is necessary to work hard to improve management and ensure that good management yields speed, economic results, and reserve strength. Vice Governor Zhang Wule presided at the meeting.

The participants pointed out that Gansu's industrial enterprises underwent a relatively great change during the Sixth 5-Year Plan as a result of all-round consolidation and initial reforms. However, there are still problems of poor management standards and enterprise quality. These are conspicuously expressed in bad product quality and high input consumption. This does not meet the demands of developing production in the enterprises or the requirements of economic construction and the people's consumption.

To encourage the enterprises to become advanced, in connection with Gansu realities, the meeting decided to establish the categories of provincial first and second class enterprises in addition to the state special, first and second classes. By 1990, three to five of the province's large and medium enterprises should reach the state first class, about 40 percent should reach the state third class, and the rest of the large and medium enterprises and 50 percent of the small state-owned enterprises should reach the provincial first class level. Most of the other small enterprises should reach provincial second class.

/12232
CSO: 4006/1249

GUANGXI HOLDS CONFERENCE ON ECONOMIC SITUATION

HK230305 Nanning Guangxi Regional Service in Mandarin 1000 GMT 19 Jul 86

[Excerpts] On the evening of 18 July, the regional people's government held a telephone conference, urging all departments to increase revenue and cut expenditure, to ensure balanced revenue and expenditure this year, and to accomplish this year's economic tasks.

Wang Rongzhen, vice chairman of the regional government, made a speech at the telephone conference. In her speech, she first introduced the region's situation of economic work in the first half of this year.

She said: In the first half of this year, the region made new development in production and construction of various undertakings. Though the region's agriculture experienced serious natural disasters, the region's total output volume of summer grain is still expected to be more than last year. From January to June, the cumulative gross industrial output value increased by 5 percent over the same period last year, while the financial revenue increased by 8.3 percent. Generally speaking, however, the development of the work in the first half of this year was not satisfactory. There was a shortage of funds for industry, and a drop in grain production. Moreover, the amount of revenue fell short of the planned target.

Comrade Wang Rongzhen said: Leaders of the region have seriously studied the spirit of the State Council's urgent curcular on increasing revenue, cutting expenditure, and resolutely ensuring balanced revenue and expenditure. They analyzed in an all-round way the situation of the first half of this year, and sought common understanding on the economic work for the second half of this year. That is, we must not change this year's economic development plan.

In her speech, she urged the leaders at various levels to take resolute measures for doing well the task in the following areas:

First, we should do well in agricultural production, particularly the late rice, and should strive for a large increase in late rice production, so as to accomplish this year's production plan. At present, we must do well in putting the summer grain into storage and strengthen our supervision over the grain and oils market.

Second, we should take effective measures for ensuring the fulfillment of this year's industrial production plan. Our current major problems in industrial production are slow production growth, poor economic results, decreasing tax delivery and profits, increasing losses, rising production cost, overstocking of products, increasing liquid capital, no safety in production, and a drop in the quality of some products. All localities must adopt effective measures to solve them.

Third, we should strive to fulfill this year's plans of capital construction and reforms. At present, we must solve problems concerning the growth of investment. Our capital construction, we must solve the problem that investment in construction projects other than production increases too rapidly, and the problem of the projects' quality.

Fourth, we must seriously do well in increasing revenue and cutting expenditure, so as to strive for balanced revenue and expenditure this year. In the first half of this year, the region's total financial revenue was less than 50 percent of the planned quota. But the expenditure was increased too rapidly. There are already deficits in the region's budget. We must therefore seriously solve them.

Fifth, we must do well in keeping the circulation channels clear, as well as trading withint the outside China. commercial departments should help industrial enterprises sell overstocked products and help distribute the products to the rural areas.

Wei Chunshu, chairman of the regional people's government, presided over the telephone conference and made a speech.

/12232
CSO: 4006/1249

ECONOMIC MANAGEMENT

HEBEI MEETING CALLS FOR PROMOTING ECONOMIC WORK

SK010252 Shijiazhuang Hebei Provincial Service in Mandarin 2200 GMT 23 Jul 86

[Text] From 19 to 23 July, the provincial government held a meeting of prefecture commissioners and city mayors to discuss ways for further facilitating the reform of the economic structure and economic work in the second half of this year. The meeting called on all localities to persist in reform and redouble their efforts to achieve the economic work in the second half of this year. The meeting called on all localities to grasp the following few tasks:

First, they should persistently support and protect reform and make ceaseless efforts to promote reform. In line with the demands of the central authorities, all prefectures, cities, and departments should organize forces to conduct a general investigation on the situation in delegating power to the enterprises, find out where the problems lie, eliminate obstacles, and delegate to the enterprises all the power that should be delegated to them in order to enhance their vitality. All localities should unswervingly persist in flexible measures for enlivening the enterprises and helping them increase production and income. Leading comrades at all levels should neither take a vacillating attitude nor lose touch with reality, but should further emancipate their minds, boldly support reform, protect the enthusiasm of reformers, and seize the opportune moment to deepen the reform work in all fields so as to promote a profound development of economic construction.

Second, they should resolutely fulfill this year's national economic plan. The industrial front should make the most of the favorable conditions and redouble their efforts to ensure the fulfillment of the goal of increasing the total annual industrial output value by 8 percent over that of last year. The agricultural front must not change the annual target for producing 40 billion jin of grain. The localities with good conditions for production should make efforts to increase their production.

Third, they should vigorously improve operation and management in order to upgrade economic results. The departments in charge of economic work at all levels should give careful instructions, strengthen supervision and examinations, help the enterprises eliminate difficulties, strive to create good external conditions for helping the enterprises improve operation and management, and make efforts to create favorable conditions for upgrading their management level. Simultaneously, all enterprises should strive to upgrade the quality of products, foster an idea of competing with each other for markets, struggle for existence and development, and be brave in pioneering international markets in an effort to export more and create more foreign exchange.

Fourth, they should strive to increase revenue and strictly control expenditure.

Fifth, they should firmly grasp grain production. While grasping the production of autumn grain, all localities should make timely preparations for sowing wheat in the autumn in an effort to sow more and better wheat and in order to make a new development in next year's wheat production.

The meeting emphatically pointed out: The tasks in the second half of this year are extremely heavy. Thus, all fronts should firmly grasp their work in 3 months, such as July, August, and September, which are regarded a key period. If they successfully grasp the work in this period, they will be able to gain momentum.

/12766
CSO: 4006/1231

SHAANXI CONTROLS CAPITAL CONSTRUCTION SCALE

HK270514 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 24 Jul 86

[Text] The 4-day provincial work conference on key capital construction concluded in Xian yesterday. The conference stressed that it is necessary to further control the capital construction scale and examine projects under construction so as to ensure the strengthening of key project construction.

The conference believed that in the first half of this year, the province slowed down the growth of its capital construction and turned investment trend more rational, thus improving economic results in investment. However, some problmes still exist, such as the failure to properly carry out local projects, shortage of construction funds, and excessive investment in some costly projects.

The conference stressed that to properly resolve these problems, we must control capital construction size well under the plan set by the provincial Planning Commission and examine all porjects under construction. Projects not covered by state plans must be stopped immediately. Projects covered by state which have not yet been guaranteed funds and raw materials, lack required conditions, yield poor economic results in investment, and have backward technology and unnecessary duplicate projects must be stopped or delayed. Without approval, it is not allowed to wilfully expand the size and upgrade the design standard of projects under construction. It is necessary to strictly control new projects. No prefectures, cities, and departments are allowed to arrange new projects in the second half of this year. Projects that were arranged in the first half of this year must be carried out in strict accordance with capital construction procedures by units possessing required conditions and with the approval of the higher authorities.

The conference pointed out that while controlling the general size of capital construction, it is necessary to speed up the construction of key projects. Efforts should be made to first ensure the funds, raw materials, equipment, and current funds needed in key construction projects. The conference decided on spending the whole month of August examining and readjusting capital construction projects.

During the conference, Vice Governor Zhang Bin listened to reports and delivered a speech.

/12232
CSO: 4006/1249

ECONOMIC MANAGEMENT

SHANDONG ISSUES PREFERENTIAL POLICIES ON JOINT BUSINESS

SK232304 Jinan Shandong Provincial Service in Mandarin 2200 GMT 22 Jul 86

[Text] To bring into full play the strong points of the province's natural resources and to actively develop economic contacts with other provinces, the provincial People's Government recently published the following policies on preferential treatment in developing lateral economic associations and technical coordination:

1. In line with the jurisdiction of specific departments, efforts should be made to give priority to making arrangements for investment planning, land requisition, building operation, building materials for the construction projects with outside investments, and joint-venture business. Preferential treatment can be given for these construction projects with outside investments, and joint-venture business. Preferential treatment can be given for these construction projects in providing the necessary material soruces, labor forces, and speces. If the investment quota of outside investors is strained, our province's investment will be available. In distributing profits, outside investors may share the output value and profits in line with the agreement and the rate of investment. They may also enjoy the retention of foreign exchange if their products are export commodities.

2. In dealing with products and commodity prices of joint-venture enterprises, products whose raw materials and energy resources have been dealt with by joint-venture enterprises themselves will not be put under the allocation plan, not be restricted within distribution quota, and can be consumed or sold by themselves. Product prices, except for those specified in the special provisions issued by the state, can be fixed through consultation of both sides. Efforts should be made to give preferential treatment in line with the agreement outside investors in dealing with products the raw materials and energy resources of which have been covered by the province's plan for material supply. Products the raw materials of which are more abundant in the province can be mostly or completely dealt with by outside investors.

3. In dealing with profits and taxes of joint-venture enterprises, efforts should be made to carry out profit retention in line with the rate of investments and to follow the principle of figuring out shares first and then paying taxes. Outside investors may pay their income tax to their own localities, The retention rate of outside investors in the profits earned from products with low returns and large investment may be higher than that of investment. These outside investors may enjoy the reduction or exemption of income and regulatory taxes in line with the actual situation.

4. Enterprises independently opened by outside investors in our province can be operated by them independently. These outside investors are also responsible for dealing with profits earned from their enterprises and may enjoy more preferential treatment than that of joint-venture business in tax revenues. Meanwhile, efforts should be made to render services to them in areas of space, energy resources, labor forces, and others.

5. Enterprises opened by outside investors in the economic developmental zones of Qingdao and Yantai may enjoy preferential treatment in line with related provisions. Developmental enterprises jointly opened in the old revolutionary bases, the coastal areas, and poor areas throughout the province may enjoy the reduction or exemption of income tax in line with the actual situation.

6. Units that have made contributions to helping our province conduct technical renovations and progress among existing enterprises may enjoy preferential treatment by receiving payment immediately, gaining a certain rate retention of profits, or receiving compensation of some products and local materials.

7. Personnel who have made contributions to providing economic technology and information and reasonable suggestions to our province, as well as having done a good job in recommendation or introduction, can receive an award or payment in line with the extent of their contributions.

8. Specialized engineers or technicians who have come to our province to help enterprises overcome technical difficulties, improve technical management, and conduct technical guidance, may enjoy preferential treatment in pay. Funds for the better pay of these specialized personnel can be raised by the units that have received their assistance. Those who have made marked contributions should be awarded with great prizes. Those who are willing to settle down in the province may enjoy preferential treatment in making housing arrangements, changing their family members from agricultural household registration to non-agricultural registration and making school or job arrangements for their children in line with related provisions issued by the state.

9. Enterprises which have joined lateral economic associations with outside units may enjoy preferential treatment of transportation means for their material exchange and their product compensatory measures.

10. Economic associations and technical coordination must be established by signing contracts or agreements that must be honored by both sides and should be protected by law during the implementation period.

/12232
CSO: 4006/1249

YUNNAN: HE ZHIQIANG CALLS FOR REFORM OF ECONOMIC STRUCTURE

HK231519 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 22 Jul 86

[Excerpts] At the provincial meeting of county governors held by the Provincial People's Government yesterday, Governor He Zhiqiang stressed: It is necessary to penetratingly carry out reform of the economic structure so as to promote the continuous economic development of the whole province.

Governor He Zhiqiang said: In the wake of the deepgoing development of reform and of the separation of government administration from enterprise management, government work, ranging from its guiding ideology to its method of administration, is changing. The new situation must be promptly studied so as to meet the needs of reform and economic and social development. Therefore, strengthening the work of governments at all levels is an objective requirement of current and future reform and economic development.

He Zhiqiang pointed out: To completely fulfill the plans for reform and economic and social development for this year and to make a solid step in the first year of the Seventh 5-Year Plan, in accordance with CPC Central Committee's requirements for reform of the economic structure, we must unswervingly, prudently, and safely push forward reform of the economic structure. The general aim of reform is to basically lay a foundation of the socialist economic structure which has Chinese characteristics and is full of vitality. The Seventh 5-Year Plan proposes that in building a modern socialist economic structure, we should mainly grasp well three aspects. We can also call them three big tasks of reform:

1. It is necessary to further strengthen the vitality of enterprises, particularly large and medium-sized enterprises under ownership by the whole people, so that they can really become producers and operators of socialist commodities who are relatively independent, operate with the initiative in their own hands, and assume sole responsibility for their profits and losses.

2. It is essential to develop socialist planned commodity markets and to gradually perfect the system of the markets.

3. Direct state control over the operation of the enterprises must gradually change to indirect control. The state must mainly take economic measures, legal measures, and administrative measures, if necessary, to control and readjust

economic operation. In the second half of this year, centered on the principle of consolidation, digestion, replensihment, and improvement, we have much work to do.

Regarding economic work, He Zhiqiang said: The provincial CPC Committee and provincial government have studied on many occasions the problem of the speed of economic development of our province. They have held that economic development of our province last year was, on the whole, normal but some problems which needed solution still existed. The development of township enterprises just started. We must speed it up.

He Zhiqiang emphatically pointed out: Reform of the economic structure is a profound change. Governments at all levels must strengthen leadership. The tasks of the economic work in the second half year are very arduous. Leaders at all levels must personally work and do well in grasping the weak links. We must analyze and study the enterprises one by one which have not fulfilled their quotas well and take measures to solve the problems. We must strengthen ideological and political work, improve leadership style, understand the situation of lower levels, go deep into realities, not strive for fame, work in a down-to-earth manner, and help the grassroots solve their problem.

/12232
CSO: 4006/1249

ECONOMIC MANAGEMENT

YUNNAN MEETING ANNOUNCES COOPERATION PROJECTS

HK270637 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 26 Jul 86

[Excerpts] The second Yunnan provincial meeting to announce external economic and technical cooperation projects was held in Kunming on 26 July. On behalf of the provincial government Vice Governor Zhu Kui announced a list of 85 such projects to 100 newsmen, financiers, traders, and businessmen from Hong Kong, Macao, and a number of foreign countries.

The key sectors involved in this cooperation project effort are as follows: Mining and mineral processing, focusing on non-ferrous metals; tropical crops and their processing, focused on rubber, spices medicinal herbs, and fruit; mining development and chemical industry development, focused on phosphates, coal, and salt; the processing of agricultural and sideline products, with the focus on tobacco, sugar, and tea, and the comprehensive use of animal products; forestry and chemical industry; the building materials industry, focused on marble, granite, diatomite, and glass; the machine-building and electronics industries; the light and textile industries, focused on paper, leather, plastics, clothing, and textiles; the food industry; and tourism, focusing on Kunming, Shilin, Dali and Xishuangbanna.

Vice Governor Zhu Hui said: We held Yunnan's first meeting to annoucne external economic and technical cooperation projects in Beijing in March last year. A total of 112 projects were announced. Thanks to extensive support from inside and outside the country, and especially from the newsmen, financiers, and businessmen of Hong Kong and Macao, we held international economic and technical cooperation and trade talks in Hong Kong in May the same year, at which 87 cooperation contracts and agreements were signed. This figure accounted for 77.6 percent of the projects announced.

We are holding another project announcement meeting today so as to better implement the principle of opening up to the world and to enable the compatriots of Hong Kong, Macao, and Taiwan and our foreign friends to gain a better understanding of Yunnan, to further expand bilateral cooperation under the principle of mutual benefit, and to work together to exploit Yunnan's resources and spur the province's economic invigoration.

/12232
CSO: 4006/1249

BRIEFS

CAPITAL CONSTRUCTION INVESTMENT--Beijing, 18 Jul (XINHUA)--China has achieved results in curtailing the expansion of capital construction investment. The total investment in capital construction for the first half of this year was 33.67 billion yuan, showing a 7.9 percent rise over last year's corresponding period, while the growth rate for January-June last year was as high as 43.5 percent compared with the corresponding period of 1984. The number of capital construction projects in progress and new projects undertaken during the first 6 months of this year were cut by 1,250 and 4,900 respectively, compared with last year's corresponding period. On the other hand, more projects were completed during the first half of this year than in the same period of last year--5,602 projects were completed and put into operation, an increase of 2,151. [Summary] [Beijing XINHUA Domestic Service in Chinese 0156 GMT 18 Jul 86 OW] /12766

FUJIAN PROMOTES ECONOMIC TIES--Fujian Province has made a good beginning in promoting lateral economic ties in recent years. According to statistics released by departments concerned, Fujian has established lateral economic associations of various forms and nature with 28 provinces, autonomous regions, and municipalities; as well as 25 ministries and their subordinate units; and 10 major universities including Qinghua University. Governments at and above prefectural and city levels outside the province have set up 48 offices in Fujian, and 41 prefectures, cities, and counties in the province have established sisterhood relationships with their counterparts in other localities. Over 2,200 joint economic entities with 5,284 participating enterprises have been established on the basis of close cooperation, quasi-cooperation, or long-term cooperation. [Excerpt] [Fuzhou Fujian Provincial Service in Mandarin 1030 GMT 17 Jul 86 OW]/12766

XINJIANG FORUM ON DEVELOPMENT STRATEGY--The Xinjiang forum on economic and social development strategy, which had lasted a week, concluded in Urumqi on 26 July. Regional CPC Committee Deputy Secretary Zhang Sizue attended the forum and spoke. In dealing with the study of problems of economic strategy, he said: We must grasp the study of economic strategy as an important task. Particularly under the new historical conditions of reform, opening up, invigorating, and developing the socialist commodity economy, we must gear our work to the needs of modernization, the world, and the future and study our Xinjiang's economic development strategy very well. This is, in a sense, the first thing we have to do to develop and build Xinjiang. He emphatically pointed out: We must really adopt a socialist democratic attitude in our study of economic theory. We must advocate that we boldly study and explore the important practical problems, speak about the sensitive problems without any inhibitions, and allow free discussion of different academic views and different schools of thought. We must change the closed-type theoretical study to an open-type theoretical study and internal discussion of a hundred schools of thought to contention of a hundred schools of thought. At the forum on theoretical discussion, representatives explored and studied the region's economic development strategy in all aspects. On this basis, they put forward a written proposal on 11 issues to the regional CPC Committee and People's Government. [Text] [Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 29 Jul 86 HK]/12766

GUANGDONG INVIGORATING ENTERPRISES DISCUSSED--According to NANFANG RIBAO, from 24 to 26 July, provincial leaders including Ye Xuanping, Liu Weiming, and Kuang Ji held a forum with 16 plant managers and directors to explore the question of invigorating the enterprises. The managers and directors came from large and medium enterprises in various sectors and places in the province. The emphatically pointed out that, to invigorate the enterprises, people must not rest content with stressing the difficulties. It is essential to turn the vision inwards and base efforts on internal reforms in the enterprises, so as to overcome the difficulties and create excellent economic results. They said: To invigorate the enterprises, we must staunchly practice the plant manager responsibility system and the system of assigning targets to be reached during a plant manager's term of office, and strengthen the production command setup. They suggested that the implementation of the plant manager's responsibilities, powers, and interests be guaranteed by law. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 27 Jul 86 HK] /12232

GUANGZHOU HONORS ENTERPRISE WINNERS--Guangzhou, 19 July (XINHUA)--Certificates of honor were issued Friday by the city government of Guangzhou to factories whose products had won international prizes. These included the Baiyun Radio Factory, whose cassette tape recorder won a gold medal at an international fair in Hungary. Also commended were Guangzhou Dongfang Hotel, a gold medal winner at an international competition for hotels hosted by Spain, as well as sportsmen and sportswomen who had won in world sports meets. Observers here view this as part of the effort made by the city to go international. This capital of Guangdong Province is one of those designated to pioneer China's open door policy. [Text] [Beijing XINHUA in English 1456 GMT 19 Jul 86 OW] /12232

CSO: 4020/396

GUANGDONG FIRMS RAISE CAPITAL BY ISSUING BONDS

OW301303 Beijing XINHUA in English 1156 GMT 30 Jul 86

["News Feature: Guangdong Bond Experiments Helps Enterprises Prosper"--XINHUA headline]

[Text] Guangzhou, 30 Duly (by XINHUA correspondents Jiang Zhouzhong and Jiang Shunzhang)--A construction company here had a problem: contracts for buildings for the next few years had been signed, but they lacked the cement it would need to do its work.

A new cement factory was to open in 1988, just about the time the cement would be crucial, but it needed more moeny than it had received from the local government.

The state still controls the bulk of the supplies of cement and other important construction materials. But in recent years, building materials factories are allowed to retain whatever is left after meeting government output quotas and sell a portion of it on the open market for higher prices.

The new practice made it possible for the Pearl River cement factory to issue bonds to raise funds for its own construction: customers who wanted cement on a priority basis could have it--if they bought its bonds.

So the construction company bought bonds for 3.6 million yuan from the cement factory. When the factory opens, the company will be paid in cement--for every 120 yuan it spent on the bonds, it will get 1 ton of cement from the factory.

If it no longer needs cement, it can get 156 yuan in return--the capital plus interest, according to Qiang Xiudian, an official in charge of the construction of the Pearl River cement factory.

The cement-for bonds deal is an unusual experiment, even though the shortages that led to it exist throughout China as construction and expansion plans continue to outstrip the materials industry's production capacity.

Part of the national reform of China's monetary system, initiated in 1978, the Guangzhou experiment is designed to increase the money supply and help enterprises grow without drawing upon the country's already stretched banking system.

Permission for the unconventional financing was granted by the Guangzhou branch of the people's bank of China, the country's central bank. The bank authorized the cement factory to raise 30 million yuan with the bonds.

Officials of the Guangdong branch say more than 850 state-owned enterprises in the province have together raised at least 500 million yuan with bonds or shares.

Previously, in Guangdong and elsewhere in China, enterprises received all of their outside capital and operating expenses from government grants and bank loans.

Now in Guangzhou some firms have been selling bonds to anyone with the capital to buy them. The Foshan Credit and Investment Corporation raised 22.15 million yuan in 1984 to build a 995-meter-long bridge.

Completed in February 1985, the bridge is expected to earn enough money from tolls to pay off bondholders in 3 to 5 years, local officials told XINHUA.

Other enterprises sell bonds to their workers. The Zhaoqing Gourmet Powder Factory faised 580,000 yuan form its workers to retool its equipment, enabling the state-owned firm to increase its annual output 50 percent to 1,500 tons.

And some sell their bonds through creative marketing. With apartments at a premium in Guangzhou, for example, the Guangzhou Construction Bank raised 12.5 million yuan for new construction projects by offering bondholders a chance to win apartments in a lottery.

Local banking officials in Guangdong say these lottery bonds and other examples of innovative financing have helped ease the banking system's capital shortage.

But they say the overall effect on the economy can be mixed. "Some enterprises have issued bonds from the People's Bank without permission," says one official. "Some of these are for projects that aren't really needed, and in China we just can't afford to waste any of our resources."

/12232
CSO: 4020/396

GUANGXI MEETING OF FINANCE BUREAU CHIEFS ENDS

HK220641 Nanning Guangxi Regional Service in Mandarin 1000 GMT 20 Jul 86

[Excerpts] The 11-day regional meeting of prefectural, city, and county financial bureau chiefs concluded in Nanning on 19 July. This meeting studied the recent State Council instructions on financial work, analyzed the region's situation of carrying out the budget in the first half of the year, and worked out plans for the second half of this year.

The meeting held: Basing on the production development, the region did well in carrying out the budget in the first half of this year. The financial revenue collected was about 50 percent of this year's plan, an increase of 8.3 percent over the same period of last year. However, we should realize that there are still some financial problems worthy of attention. First, the growth rage of expenditure is so rapid that it exceeds that of revenue. Second, the work of financial revenue is far from satisfactory, and there lacks a balance among trades and localities. Furthermore, the financial revenue of some cities, counties, and departments is dropping. Third, the economic results are not good enough. The production cost of budgetary industrial enterprises' products increased by 5.55 percent. The amount of overstocked products and losses increased. Therefore, profit delivery dropped. Fourth, some localities work out an expenditure that exceeds their revenue, and carry a deficit budget. We must adopt effective measures to deal serioulsy with them.

After repeated discussion, the meeting proposed several tasks that must be done well. First, various localities and departments must convey the spirit of the State Council and the regional government's recent instructions on financial work down to the grassroots, so as to seek common understanding. At the same time, they should seriously analyze their financial situation and adopt practical measures for solving problems. Second, we must carry out level by level the goal of controlling expenditure. We must act according to our capabilities and must not have deficit budgets. Thirds, we must do well in collecting revenue while promoting production and economic results. Fourth, we must strictly control expenditures.

/12232
CSO: 4006/1249

SICHUAN FINANCE, TAX BUREAU DIRECTORS MEET

HK171057 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 16 Jul 86

[Excerpts] In accordance with the instruction of the Provincial Government and on the basis of seriously examining and analyzing the work in the first half year and correctly understanding the current financial situation, the provincial meeting of finance and tax bureau directors that concluded recently made arrangements for the financial and tax work for the second half of the year.

The meeting held: The situation in fulfilling the financial quota and in economic development in our province for the first half of this year is basically satisfactory. However, half of the quota for revenue for the whole year was not fulfilled in half a year. The specific demands are that we must persistently regard the raising of economic results as the center, grasp production, promote circulation, vigorously organize income, and in the light of realities and through penetrating investigation and study and feasibility exposition and proof, work out and carry out plans for opening up financial sources.

We must work hard to increase production, practice economy, increase income, and reduce expenditure. We must adhere to the principles of keeping expenditures within the limits of income and doing everything diligently and thriftily and strictly control all financial expenditures, particularly fixed assets and the amount of funds raised. Projects that should be carried out must be carried out while those that should be suspended must be suspended.

It is necessary to strictly enforce financial and economic discipline and to conduct large-scale inspection of taxes and finances. All places must strengthen leadership, be reinforced, correctly implement policies, and really do well in the large-scale inspection of taxes and finances.

/12766
CSO: 4006/1231

BRIEFS

GUANGXI RURAL INSURANCE WORK--Since the beginning of this year, insurance work in rural areas of Guangxi Region has vigorously developed. Insurance premiums in the rural areas of our region from January to June this year totaled some 4,914,000 yuan, an increase of 48 percent over the same period last year. The region settled 4,653 cases of claims for damage in the first half of this year and the amount paid out for damage was 3.01 million yuan. A large number of peasant households which had taken out insurance policies and which were hit by disasters had economic guarantees. The insurance premiums for rural farming and livestock and aquatic product breeding in the whole region had reached 270,000 yuan by the end of June. [Summary] [Nanning Guangxi Regional Service in Mandarin 1000 GMT 18 Jul 86 HK] /12232

GUANGXI COLLECT MORE TAXES--In the first half of this year, the region collected a total of 1.022 billion yuan in industrial and commercial taxes, fulfilling 53.7 percent of this year's plan. This is marked by two major characteristics: First, the tax departments cooperated with other departments to promote production, while supporting economic reform and enterprises' lateral economic links; and second, the tax departments heightened various units' understanding taxes. According to incomplete statistics, the region recovered in the first half of this year over 30 million yuan of accrued industrial and commercial taxes. [Summary] [Nanning Guangxi Regional Service in Mandarin 1000 GMT 20 Jul 86 HK] /12232

LIAONING TAX REVENUES--In the first half of this year, Liaoning Province's tax revenues increased by 665.9 million yuan, or 10.2 percent, over the corresponding period of 1985. [Text] [Shenyang LIAONING RIBAO in Chinese 10 Jul 86 p 1 SK] /12232

CSO: 4006/1249

PRC TO BUY, MOVE SWEDISH STEEL COMPANY

BK161724 Hong Kong AFP in English 1718 GMT 16 Jul 86

[Text] Ronneby, Sweden, 16 July (AFP)--China International Steel is to buy Swedish Steelworks in Ronneby, a spokesman of a British company in Ronneby who dealt with the state-run Chinese steel group said Wednesday.

Lennart Schmidt, a spokesman for Ipasco Ltd., a broker for second-hand steelworks, told AGENCE FRANCE-PRESSE that a Chinese delegation recently spent two weeks in Europe in order to buy steelworks less than ten years old. Ipasco Ltd. has proposed Italian, Spanish, British, Belgian production units along with those in Ronneby, he said.

The Chinese delegation was especially interested in the Swedish plants, built between 1966 and 1975 with a capacity of 125,000 tons of steel for railroad rails.

Mr Schmidt said that China International Steel wants to double its steel production to 250,000 tons a year.

A buying contract should be signed in September and the Ronneby plants should be dismantled from November, the spokesman added without giving any price indication.

The steelworks are to start production during the spring of 1988 in Fujian Province. The Ronneby plants are part of the Kockums Jaernverk Group, owned by AB Volvo, the biggest Nordic industrial group.

/12858
CSO: 4020/401

FOREIGN TRADE AND INVESTMENT

SHANGHAI APPROVES 111 SINO-FOREIGN JOINT VENTURES

OW220411 Shanghai WEN HUI BAO in Chinese 17 Jul 86 p 1

[By WEN HUI BAO reporter Zhang Debao]

[Text] According to the relevant municipal departments, since Shanghai simplified procedures for the establishment of Sino-foreign joint ventures and foreign-owned enterprises, the number of Sino-foreign joint ventures has grown noticeably. To date, 111 Sino-foreign joint ventures totalling $510 million in foreign investments have been approved.

Of these, some 50 have begun operations or have started building their factories. Of the industrial joint ventures that have been set up, about half produce goods primarily for export.

Figures show that of the 111 joint ventures, 62 are industrial enterprises with a total investment of over $255 million; 12 are hotels and tall buildings with a total investment of $210 million; and the remaining 37 are projects of various other categories. These figures show that only 50 percent of the money has been invested in industrial projects and that, although the number of joint ventures is growing rapidly in Shanghai, the production structure is quite irrational and the industrial branch is relatively weak. As such, the relevant departments hope that foreign firms planning to invest will invest their capital in strengthening Shanghai's industrial sector, especially in upgrading its technology and equipment.

To encourage foreign firms to invest in Shanghai's industrial sector, it is currently studying the feasibility of introducing new types of Sino-foreign joint ventures that can help Shanghai balance its foreign exchange revenue and expenditure--joint ventures that produce what China is importing to meet its urgent needs and joint ventures that produce export-oriented goods that can bring in more foreign exchange. Shanghai hopes that the new measures will create even greater investment opportunities for foreign firms.

/12913
CSO: 4006/1234

FOREIGN TRADE AND INVESTMENT

SHANGHAI PROMOTES FOREIGN INVESTMENT AREAS

OW241200 Beijing XINHUA in English 1135 GMT 24 Jul 86

[Text] Shanghai, 24 July (XINHUA)--The authorities here have decided to give preferential treatment, chiefly income tax cuts, to foreign investors in almost one-tenth of the city's area, an official said here today.

Such treatment is available in 523.9 square kilometers, which covers the whole of downtown Shanghai, seats of 10 suburban counties, six satellite towns and industrial towns.

"Foreign firms will also enjoy the same treatment if they invest in export-oriented farming, forestry and processing projects in the rural areas," the official said. Such treatment, similar to certain policies implemented only in China's four Special Economic Zones, includes the use of land, raw material supplies, marketing, personnel management and use of foreign exchange.

Shanghai is one of the 14 coastal cities with greater authority over foreign investment and trade. The municipal authorities now can approve productive projects costing up to 30 million U.S. dollars and any nonproductive projects, the official said. "We will see to it that foreign firms intending to invest in Shanghai receive response from our administrative authorities within 30 days after they file applications," he said.

Shanghai has introduced 1.7 billion U.S. dollars in foreign funds since China's policy of opening to the outside world was adopted in 1979. Moreover, it has set up 180 Sino-foreign joint ventures, cooperative businesses and enterprises with sole foreign investment during that period.

/12858
CSO: 4020/401

FOREIGN TRADE AND INVESTMENT

SHANGHAI ISSUES FOREIGN BUSINESS REGULATIONS

OW250106 Beijing XINHUA in English 0015 GMT 25 Jul 86

[Text] Shanghai, 25 July (XINHUA)--Shanghai has issued its first local "regulations for application, examination and approval of Sino-foreign joint ventures, cooperative enterprises and foreign businesses in China."

The regulations will go into effect 1 August, Lu Guoxian, vice-chairman of the Shanghai Municipal Commission of Foreign Economic Relations and Trade, said here today. It will help investors and departments concerned to comply with and carry out the economic regulations, define their duties, simplify formalities and boost economic efficiency.

According to the regulations, projects selected by both Chinese and foreign investors should be based on Shanghai's economic orientation and program of absorbing foreign capital and technology.

Except for those that are subjected to the examination and approval by state council departments in accordance with law, all Sino-foreign joint-venture and cooperative enterprises, and foreign businesses in Shanghai will be solely examined and approved by the Shanghai Municipal Commission of Foreign Economic Relations and Trade.

The commission will give a definite reply to a proposed project within 30 days starting from the day it receives the application documents, and issue an instrument of ratification within the following ten days. The proposal must be sent to the commission along with a feasibility study report, a contract and constitution for the project to be started.

Investors who receive an instrument of ratification will be required to register with the Shanghai Municipal Industrial and Commercial Administration and get a business license within 30 days. This regulation will also be applicable to overseas Chinese, Hong Kong and Macao investors.

So far, Shanghai has approved 110 Sino-foreign joint ventures, 66 cooperative enterprises and two foreign businesses, absorbing direct foreign investment of 1.3 billion U.S. dollars.

/12858
CSO: 4020/401

TIANJIN TO OPEN 8 PROJECTS FOR INTERNATIONAL TENDERS

HK160445 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 16 Jul p 3

[By Paul Sham]

[Text] Eight major development projects in Tianjin--representing U.S.$6 billion worth of business--are to be opened to international tenders to attract wider foreign participation.

This was stated yesterday by Zhang Zhaoruo, director of the city's Commission of Foreign Economic Relations and Trade, during a one-day seminar in Hong Kong to brief local businessmen on Tianjin's investment environment. Mr Zhang said the eight projects had been approved by central government, and six were due to be completed under the current Five-Year Plan, which ends in 1990.

The projects are:

--A steel mill capable of producing three million tons a year.
--A thermal power plant generating between 1.2 million and 1.4 million kilowatts.
--A coal exploration project with a production target of 1.5 million tons a year.
--A chemical plant with a yearly capacity of 450,000 tons of ethylene.
--A car factory designed to manufacture 300,000 vehicles a year.
--A cement plant producing 600,000 tons a year.
--An electrified railway system between Tianjin and Tanggu.
--A 400-meter high television broadcasting tower.

Mr Zhang said feasibility studies for most of the projects would be completed this year, and tenders would be invited next year.

Because of China's shortage of foreign exchange crunch, all eight schemes will aim to use foreign capital in the form of direct investment, commercial loans, and soft loans from foreign governments and international financial bodies.

Mr Zhang said Japanese businessmen had shown particular interest in the car plant and broadcasting tower, while European countries such as Italy, West

Germany, Britain, and France were also willing to offer soft loans. He added that Tianjin would make special arrangements to help companies involved in the projects balance their foreign exchange accounts.

Most of their revenue would be in renminbi, so the city would use its own foreign exchange reserves to convert their earnings into hard currency if necessary, said Mr Zhang.

Yesterday's seminar was hosted by Hong Kong Trade Development Council.

/12858
CSO: 4020/401

FOREIGN TRADE AND INVESTMENT

BRIEFS

SHANGHAI BUSINESSES ABROAD--Beijing, 23 July (XINHUA)--Shanghai, China's leading manufacturing center, has opened 50 businesses in 20 countries and Hong Kong and Macao since 1981, today's PEOPLE'S DAILY reported. The businesses, which are either Sino-foreign joint ventures or enterprises with sole Shanghai investment, undertake processing, contract for engineering projects and offer shipping services. The paper described the businesses as a "channel" for spurring Shanghai's exports and opening up new foreign markets for the city. Foreign trade companies in Shanghai alone run 30 factories in ten countries including Bangladesh, Canada, the Federal Republic of Germany, Iran, Pakistan, the United States and Thailand. Their products include textiles, knitwear, foodstuff, carpets, dyestuff, pharmaceuticals and clothing. [Text] [Beijing XINHUA in English 0640 GMT 23 Jul 86 OW] /12858

CSO: 4020/401

BRIEFS

INTERNATIONAL FINANCE COMPANY ESTABLISHED--Shenzhen, 25 July (XINHUA)--The China International Finance Company Ltd, the first such Sino-foreign joint venture in China, was set up today in the Shenzhen Special Economic Zone, Guangdong Province. The company consists of five shareholders of the Bank of China Shenzhen branch, the Bank of East Asia Ltd, Nomura Securities Company Ltd, Security Pacific National Bank and the Sumitomo Bank Ltd, with registered capital of 14 million U.S. dollars shared equally. According to the agreement concluded here today, the company will provide the same services as wholesale banks and investment banks to the Shenzhen Special Economic Zone, Chinese departments, state-owned enterprises, Sino-foreign joint ventures and enterprises with sole foreign investment in China; help the special economic zones to develop export-oriented industries and offer consultancy services on the capital market within and outside China. The company will promote financial activities in Shenzhen and forge business links between Shenzhen and international financial organizations. So far, 13 foreign banks have set up branches in the Special Economic Zone. [Text] [Beijing XINHUA in English 1504 GMT 25 Jul 86 OW] /12858

SHENZHEN OUTPUT FIGURES RISE--Shenzhen, 26 July (XINHUA)--The industrial output value of the Shenzhen Special Economic Zone reached 1,446 million yuan (about 390 million U.S. dollars) in the first half of this year, an increase of 13.8 percent over the same period of 1985, said an official of the Municipal Statistics Bureau. Out of the figure, 590 million yuan (about $160 million) came from the output value of export, 51.7 percent higher than 1985's figure, the official said. Meanwhile, the industrial output value of enterprises with exclusively foreign investment, the Sino-foreign joint ventures and cooperative enterprises increased 17.2 percent, and that of those in collective-owned enterprises, 42.6 percent. Compared with same period of last year, the output and exports of pigs, chickens, milk, and aquatic and fruit products also went up. The investment in capital construction dropped 32.7 percent in the first half of this year, against the same period of last year, thanks to efforts to control projects with poor economic results. The city earned about $320 million by exports, 24.5 percent higher than in 1985. And the total volume of retail sales was 1,263 million yuan, 8.3 percent lower than 1985's figure as a result of control over the purchasing power of government agencies. [Text] [Beijing XINHUA in English 1227 GMT 26 Jul 86 OW] /12858

GUANGDONG ECONOMIC ZONE OUTPUT--The gross industrial and agricultural output value of Shantou special economic zone, Guangdong Province, from January to June this year reached some 43 million yuan, an increase of 116 percent over the same period last year. The total amount of exports recorded increased by 46 percent and the amount of revenue by 44 percent. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 18 Jul 86 HK] /12913

CSO: 4006/1234

LABOR AND WAGES

TU DEPUTY CHAIRMAN INTERVIEWED ON RENEWED UNION MOVEMENT

AU221341 Budapest NEPSZAVA in Hungarian 19 Jul 86 pp 2, 3

[Interview given in Beijing by Chen Bingquan, deputy chairman of the All China Federation of Trade Unions, to Dr Laszlo Fodor, chief editor of NEPSZAVA: "Studying the Hungarian experience is very important for us--interview with Chen Bingquan, deputy chairman of the All China Federation of Trade Unions, about the renewal of the trade union movement"--date not specified--first paragraph is paper's introduction]

[Text] Based on an agreement between the All China Federation of Trade Unions and the National Council of [Hungarian] Trade Unions, a delegation of Hungarian journalists paid a visit to the PRC. On this occasion Dr Laszlo Fodor, chief editor of our paper, gave an interview in Beijing with Chen Bingquan, deputy chairman of the All China Federation of Trade Unions.

[Fodor] The international trade union movement has paid great attention to the renewal process in the Chinese trade union movement.

Where does this renewal stand today?

[Chen] Following the decades-long catastrophe of the Cultural Revolution, the activity of the Chinese trade union movement was stabilized in 1978. We had to start our work practically from scratch, because the political leadership directing the economy between 1967 and 78 had, of course, interrupted trade union activities. There are 80 million members in the movement's 350,000 basic organizations and the network covers the entire country.

In October 1978, after destroying the "Gang of Four," we elected the leadership of the National Federation of Chinese Trade Unions at the 11th Trade Union Congress. This body guides and leads our activities, including the work of branch trade unions and provincial headquarters. In recent years, our task has been focusing on setting up the various trade union agencies. This has required hard work from all of us, because during the Cultural Revolution trade unions were discriminated against to such an extent that some of the working people did not understand why we had to reorganize the movement. Our activists had to work hard to make people accept this work.

At the time of setting up the structural framework, we began with political work. We knew that trade unions are important in representing the working masses and supporting the people's power. We turned to the roots, to the foundation of the PRC in 1949, when a new chapter had opened up for our trade unions and we were given the opportunity to create a new life for ourselves under the socialist system. Now, as then, our task continues to be to contribute to the success of the revolution and of socialist construction.

It was useful to reach back to old roots, because we were able to correct our previous mistakes. These days we are not so much in favor of centralization, even in trade union activities. We have realized that there is no success in work where the All China Federation of Trade Unions must attend to even the most trivial issues.

We have also done some rethinking as regards our relationship with the party. This trade union accepts the party's leadership and implements the party's policies by using its own means, while it carries out its functions independently. In the fifties it was incorrect for the trade union headquarters to be just the mass organization department of the party.

We have also clearly defined the relationship between the government and the trade unions. We have announced that trade unions respect the law, but at the same time they represent employees in factories and institutions and thus play a role in central, social, and economic processes. We broke with the old practice of the trade unions dealing with all kinds of workers' problems but having no right to raise their voice in the interest of the whole working class.

[Fodor] What results did the new economic mechanism bring to China? How does the trade union movement help the reform?

[Chen] First, we introduced the reform in the agricultural sector. Instead of communes, we provided a system of responsibilities for peasant families. There are very good results. In 5 years our wheat production increased by almost 100 million metric tons, and as a result we now have a relatively rich food market--including vegetables--that covers the supply to the population. According to the 20 October 1984 decision of the party's Central Committee, we introduced the new economic mechanism in other branches of the national cocnomy as of 1 January 1985.

For our economy, the new mechanism, which is in many respects similar to the Hungarian economic management system, means a management system and a mode of administration that follow market principles and the characteristics of commodity production. We have eased up on closed and rigid central management and opened up to the world.

Our economic mechanism provides greater scope for factories and directors alike. As a result, we expect production to become more active and more efficient. As yet, we may look back on only 1 year of experience, but we can be satisfied. For example production of coal and mineral oil has further increased (80 million and 124 million metric tons respectively.) [Not further qualified]

The trade union movement supports the reform with its full authority. What is being done in China today is in the interest of constructing the socialist society and perfecting our system. The trade union movement is pleased to support such a tendency. In addition to providing general help to the reform, our basic task is to mobilize people to fulfill the goals of the new mechanism, and make its advantages and opportunities popular and understood among the members and employees.

In order to succeed in realizing the new mechanism, one of the most significant duties within the trade unions' mass activity is to take care of the socialist working competitions in all fields. According to the development requirements of the national economy--by heeding the special features of industries and enterprises--working competitions among individuals, groups, collectives, workshops, and factories are aiming at the following: to produce more and better quality products, to save basic materials, and to maintain safety measures.

In the course of working competitions, the trade unions mobilize and organize people to learn modern technology, improve the leadership of enterprises, participate in work that promotes the implementation of technical innovations, technological cooperation, and sensible proposals. We encourage people to follow the example of eminent workers, to learn from them, keep up with time, surpass their achievements, and at the same time help those who are lagging behind. The trade unions present examples of eminent and outstanding workers and collectives to working communities and, by analyzing and popularizing the latter's emthods, theyhelp to spread the best methods within enterprises.

Another task of trade unions in promoting the new mechanism is to carry out significant activity in shaping the consciousness of working people. We inform them about revolutionary ideas, morality, progressive traditions, and about Marxism-Leninism. The trade unions organize academic and technical conferecen as well as short and specialized courses to promote the learning of new technologies and to help workers improve their skills. Last year we organized more than 3,600 such courses for 1,300,000 students, and there are more than 5 million people taking part in short educational programs.

[Fodor] How much do the Chinese workers know about the necessity of the new economic mechanism?

[Chen] Let me mention one example. In recent weeks, the national federation of our trade union carried out a survey involving 600,000 people. We asked only one question, namely, whether people fully identify themselves with the new economicmechanism. The answer was unambiguous. All 600,000 workers said yes.

[Fodor] During my stay in China, I have learned a new expression: Workers' Congress. What do you think about the activity of the Workers' Congress?

[Chen] The Workers' Congress is a basic form of democratic management within an enterprise. It is a body of power through which the blue-and white-collar workers participate in decisionmaking and in the supervision of leadership. By way of the Workers' Congresses' employees exercise their democratic rights in enterprise management. A Workers' Congress is convened at least twice annually and its members are elected directly. The Workers' Congress is entitled to examine problems relating to the production plan, financial plans, the balance sheet, technological innovation, and enterprise management. It has a right to make decisions about problems directly affecting the employees, such as using finances for labor-safety, welfare, and premiums, and determining the methods of rewards and punishments. The workers' congress has the right to supervise leaders in various posts, and it may elect and dismiss them as well.

[Fodor] What kind of development is taking place in the international relations of the Chinese trade unions?

[Chen] Our trade union considers it important to participate actively in the international trade union movement. This is one way of learning from each other. This is why we are increasing our efforts to expand our relations. We strive to achieve friendly relations with trade unions in all countries based on independence, equality, and mutual respect. In this respect our work has been successful, since we maintain realtions with the trade unions of 120 countries.

Among the socialist countries, we maintain official relations with trade unions in the DPRK, Yugoslavia, Romania, the Soviet Union, the GDR, and Hungary, but our aim is to settle our affairs with all socialist countries as soon as possible. We are planning to pay high-level visits to Bulgaria and the USSR this year. Since 1978, we have regularly taken part in various international programs where we have made our voice heard on safeguarding peace in the world and on the fianl victory of liberating the working class.

As far as our relations with Hungarian trade unions are concerned, I could term them as good. Personally, I have been in Hungary twice. I was very interested in studying your economic reform, the Hungarian way of constructing socialism, and the efforts of your trade union movement. The Hungarian endeavors toward reform are very similar to our goals and it is important for us to study them. We are pleased to send delegations to Hungary.

[Fodor] Thank you for the discussion.

/12232
CSO: 4020/396

LABOR AND WAGES

JINGJI GUANLI ON WAGE REFORM AT BEIJING PLANT

HK270642 Beijing JINGJI GUANLI in Chinese No 5, 5 May 86 pp 38-40

[Article by Beijing Switch Plant, edited by Xu Xiaojiu [1776 1420 3773]: "Combine the Wage System REform With Perfection of the Economic Responsibility System"]

[Text] On the basis of consolidating the enterprise and with the approval of organs at higher levels, our plant tried the method of hooking up the total wages with the economic results and allowing the wages to float in June 1984; no maximum limit was set for the wages but a wage tax was imposed in accordance with the relevant regulations, and the lowest floating wage did not exceed 20 percent of the total wages.

Our actual experience for over a year has proved that this method could better motivate the initiative of the workers, tap the potentials of the enterprise, and improve enterprise management, enabling the enterprise's economic results to grow steadily each year and increasing the profit tax submitted to the state. The total industrial output in 1984 and 1985 was increased by 11 percent and 35.5 percent respectively over the preceding years' the achieved profits increased by 31.8 percent and 38.3 percent respectively; the all-worker labor productivity rate increased by 13.6 percent and 34.5 percent; and the profit tax submitted to the state increased by 14 percent and 37 percent. In the wake of the growth of the economic results, the enterprise's retention of profits also grew by about 24 percent and 50 percent; the average income of the workers increased by 22 percent.

In the initial stage of the implementation of the method of floating wages and hooking up wages with the economic results, we, according to the power entrusted to us by the state and the actual conditions of this plant, reformed the internal distribution system of the enterprise in accordance with the phenomenon of "eating from the same big pot" and initially improved the wage-work relationship. Our practice was:

1. Insist on Proceeding From Actual Conditions and Formulate a Wage System Consistent with the Characteristics of This Plant

We held that the key to the reform of the wage system lay in rationally ascertaining the difference of labor reward among various personnel inside the enterprise, adhering to the principle of remuneration according to labor and integrating the wage growth of the workers, the results of their labor, and the economic results of the enterprise. Therefore, our plant adopted the wage form of a structural system in which graded wage took precedence. The wages of the workers were composed of graded wage, duty (post) wage, annual merit wage, and bonue. The graded wage is implemented in accordance with the new wage standard promulgated by the Ministry of Labor and Personal. Duty wage is the remuneration assessed in accordance with the degree of technical difficulty, the degree of responsibility, and the degree of labor intensity involved in the post and the conditions of work. The annual merit wage is the portion of wage exceeding the wage limit of the graded wage (about 2 to 3 yuan at present) in order to stimulate the enthusiasm of the workers. Bonus is the reward for work done in excess of the monthly quota. The general design of this distribution reform of wage is different from both the simple technical grade wage system and the general structural wage system. It has the following characteristics:

(1) The graded wage is both the yardstick for labor remuneration and for reflecting the professional and technical standard of the workers. Thus, the wage scale is commensurate with the technical scale and facilitates assessment and management.

(2) It copes with the demand of production of multiple varieties in small quantities, shift work, different posts on the production line, and great [word indistinct].

(3) The "continuous sequence" of the wage standard of workers and cadres helps eliminate the wage difference between the workers and cadres of the enterprise and facilitates the readjustment of wages of cadres and the progress of the reform of the system of personnel management and labor organization management.

(4) It is conducive to breaking the "iron rice bowl." As stipulated in our plant's "duty wage management method," the duty wage is strictly assessed every month in accordance with the PQC economic responsibility system. For individual workers or units in charge whose PQC points are below 100 in a month, their duty wage will be reduced accordingly or cancelled. "Under whatever circumstances, the duty wage of a worker who is not presently performing the duty will be cancelled with effect from the day he ceases to perform the duty." This abolishes the "life tenure" system of duty wage and more effectively achieves the principle of integrating duty, rights, and privileges.

(5) The annual merit wage solves the "plateau" problem when the graded wage reaches the maximum. Only a small amount of money is needed to reflect wage differences, and this is thus conducive to motivating the initiative of the old workers.

2. Strict Assessment on the Basis of the Economic Responsibility System; Promotion and Wage Increase in Accordance with Data

We understand from actual practice that assessment is the basis of distribution. To smash equalitarianism and achieve rational distribution, we must have a complete set of concise and coordinated system and methods of assessment and management. Among this, the establishment of the PQCMPT economic responsibility system, which is characterized by the integration of duty, rights, and privileges, contering on duty, is one of the more effective methods.

The PQCMPT economic responsibility system consists of the following factors: P represents the production output or work output and is calculated in percentage; Q represents the quality of products or work and is overruling index calculated as a coefficient; C is the basis of management for efficiency, results, and returns and is also an overruling index calculated as a coefficient, M represents the establishment; and PT represents the coefficient of departments or posts and is calculated in accordance with the working conditions, degree of labor intensity, degree of technical difficulty, and the risk of work. Assessment is made every month in accordance with the department (workshop or office) or the post economic responsibility system; the product of PQC represents the standard of acheivement of each department of each work. This assessment method is both clear and specific and is able to reflect quality and management, implementing the principle of integrating duty, rights, and privileges. Based on the product of PQC, we adopt the method of two-grade assessment. This means that the plant assesses the workshop and office in accordance with the post economic responsibility system. The product of PQCMPT each month is taken as the basis for calculating the monthly bonus for the departments or workers, and the annual PQC product is taken as the basis for calculating the prospect of promotion of the departments and individuals. These data will be taken into consideration when considering promotion, and mass evaluation will not be used. For instance, in 1985 and in the course of wage reform inside our enterprise, 5 percent of the workers were given a wage rise of one and a half grade; 65.5 percent were given a wage rise of one grade, 12.9 percent were given a wage rise of half a grade; and 16.6 percent were not given any wage rise at all. Since we used the assessment as the basis, it took only 3 weeks between the formulation of the promotion methods through discussions with the workers and the workers getting the money. The workers said that this method saved time on the part of the management and they were happy to comply.

3. Focus on Implementing the Principle of Remuneration According to Labor, Stress Contribution, and Appropriately Expand the [word indistinct]

In order to seriously implement the principle of remuneration according to labor and do a good job in internal distribution, we have done the following specific work:

(1) Wages of middle-aged and young workers who have made contributions and whose wages were incommensurate with their duty were given a raise of half a grade. Middle-aged and young workers, technical personnel, and management personnel who joined our plant before 1970 were generally doing well in their job but their wages tended to be low. We have classified them as Category A personnel. Junior technical personnel who obtained the first place in the subject concerned in the general examination are also classified as Category A personnel. Preferential treatment is given to Category A personnel in wage readjustment: A raise of half a grade is given to those who meet the requirements for promotion.

(2) Different wage grades and promotion scales have been formulated for different types of work and posts in accordance with the degree of technical difficulty, the extent of responsibility, and the degree of labor intensity. A system of limited promotion is adopted for relatively simple posts that involve no heavy work; promotion prospects for workers engaged in more heavy work such as packaging, sand blasting, and the like are much greater. Rational remuneration makes it possible to assign personnel to posts according to production needs and to effectively control the ratio of various types of personnel.

(3) The method of floating wage is adopted, changing the mode of wage management from a static one to a dynamic one. We trial-implemented the method of floating wages in August 1984, taking 20 percent of the average per capita wage as the floating wage, that means, 12 yuan was deducted from the basic wage of each worker every month to float. We carried out another readjustment in 1985. Different extents were set for the portion of floating wage: For leading cadres at and above the medium level, 20 percent of the individual's wage (about 20 to 30 yuan) was taken as the minimum floating amount; for workers whose basic wages were below 52 yuan, the minimum floating amount remained 12 yuan; for workers whose basic wages were above 52 yuan, the minimum floating amount was 18 yuan. Different assessment criteria for cadres at plant level, medium level, and general level, production workers, support workers, and services personnel were formulated, and they would be strictly assessed every month.

(4) We have hooked up the workers' income with the economic results of the enterprise. The implementation of floating wages enabled us to hook up the floating economic results of the whole plant and the floating economic income of the workers. At the end of last year, we formulated the "Beijing Switch Plant general use management method," and have used specific figures to stipulate the relationship between the plant's economic results and the workers' economic income. For instance, it was stipulated that if the achieved profits in 1986 failed to reach the standard in 1984 and 1983, for every 1 percent down, all wage revisions made in 1985 would be cancelled, and in addition, the 1984 revised wage of all workers would be deducted by 1 percent, medium-level cadres by 2 percent, and plant level cadres by 3 percent.

(5) We have made amendments and improved the encouragement schemes and have further confirmed the quota responsibility management responsibility, work standard, and assessment criteria for various departments.

4. Do a Good Job of Ideological and Political Work, Promote Democratic Management, Give Full Play to the Workers' Spirit of Being the Masters, and Enhance Their Sense of Responsibility

The reform of the distribution system of the enterprise is a tough task which requires a high sense of policy and mass support. In order to bring about smooth implementation, we have attached primary importance to ideological and political work, which penetrated throughout the entire course of reform. Our plant's wage reform proposal and other specific management methods were put forth for discussion at the workers' congresses. Promotion of leading cadres at and above medium level were discussed and approved by the presidium of the workers' congress. Thus, we have given better play to the workers' role of being the masters.

/12232
CSO: 4006/1249

GANSU RADIO CRITICIZES ONE-SIDED VIEW OF TRADE UNION WORK

HK240325 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 23 Jul 86

["Chat for Everybody" by [Zhu Guangyuan): "Trade Union Work Is Not Just a Matter of Playing Musical instruemnts and Singing"]

[Excerpts] I often hear people say that trade union work means nothing more than playing musical instruments, singing, playing ball games, and taking photographs, meaning that the task of trade union work is just to organize cultural and sports activities. This is a onesided understanding of trade union work. The trade union is a mass organization under party leadership; it represents the interests of the working class and does things for them. It is a link between the party and the worker masses and is also a school in which the workers learn about communism.

The tasks of the trade unions have become still heavier since entering the new period of building the four modernizations, as the party's work focus has shifted. Caring for the workers' daily life and organizing cultural and sports activities for them represent only one aspect of trade union work. A still more important task is to organize the workers to take part in economic structural reform and in democratically managing the enterprises, organizing them to observe production safety, supervising prices, stepping up ideological and political work, and organizing the workers to learn culture and technology.

The trade union cadres at all levels must eliminate onesided views of trade union work, strengthen the building of the unions themselves, and let the unions play a still greater role in building the unions themselves, and let the unions play a still greater role in building the two civilizations.

/12232
CSO: 4006/1249

END

JPRS-CEA-86-098

27 AUGUST 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-098

27 AUGUST 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

NATIONAL POLICY AND ISSUES

RENMIN RIBAO Discusses Consumption Fund Growth Rate
(Wen Qian; RENMIN RIBAO, 28 Jul 86) 1

Briefs

Urbanization Pace Speeding Up 5

PROVINCIAL AFFAIRS

Hebei Provincial Conference on Seventh 5-Year Plan Convened
(HEBEI RIBAO, 16 Dec 85) 6

Henan Governor Cites Sixth 5-Year Plan Figures
(Henan Provincial Service, 30 Apr 86) 9

Readjustment, Consolidation of Hebei Economy
(HEBEI RIBAO, 6 Nov 85) 11

Shaanxi Gains in Industrial Output
(SHAANXI RIBAO, 6 Nov 85) 14

ECONOMIC DEVELOPMENT ZONES

JINGJI RIBAO on Zhujiang Delta Economic Zone
(Wang Xueming; JINGJI RIBAO, 21 Jul 86) 16

Briefs

Shanghai Economic Zone Growth 19

ECONOMIC PLANNING

Briefs

Shaanxi Development Plans 20

ECONOMIC MANAGEMENT

Journal Explains Enterprise Groups
(Li Yinshui, Mao Zhiquan; JINGJI GUANGLI, No 5, 5 May 86) 21

Journal on Product Quality, Economic Benefits
(Xie Minggan; JINGJI GUANLI, No 5, 5 May 86) 27

Hunan Government Encourages Exports Production
(Hunan Provincial Service, 5 May 86) 38

JINGJI RIBAO on Changes on Ownership
(Yang Lixin; JINGJI RIBAO, 30 Jun 86) 39

Yunnan Meeting on Collective Economy
(Yunnan Provincial Service, 10 Jul 86) 43

Wuhan Advisory Committee Has Decision-Making Power
(XINHUA, 11 Jul 86) 45

Guizhou's Less-Developed Areas To Receive Aid
(XINHUA, 13 Jul 86) 47

Meeting on Southwestern Economy Ends 12 July
(Xizang Regional Service, 13 Jul 86) 48

Commentary on Meeting Annual Revenue Plan
(Gansu Provincial Service, 14 Jul 86) 49

Sichuan Meeting Discusses Finance, Trade
(Sichuan Provincial Service, 18 Jul 86) 51

Qinghai Meeting Urges Improved Economic Results
(Qinghai Provincial Service, 18 Jul 86) 52

He Kang Speaks on Xinjiang's Economic Development
(Xinjiang Regional Service, 27 Jul 86) 53

Participation in Classification Noted
(Henan Provincial Service, 29 Jul 86) 55

Briefs

Problems in Enterprises Solved 56
Industrial Production Arrangements 56
Enterprise Reforms Stressed 57
Enterprise Work Teams 57
Hubei Progresses Audit Work 57
Hubei Institute Graduates Managerial Cadres 57

FINANCE AND BANKING

Gansu Province Increases Financial Revenue
(Gansu Provincial Service, 14 Jul 86) 58

North China Banks Speed Up Money Remittances
(Zhao Yongjin; XINHUA Domestic Service, 19 Jul 86) 59

Briefs
Shandong Technical Transformation Loans 60
Hubei Financial Situation Improves 60
Urban Savings Deposits 60
Nanjing Interbank Clearing House 61

INDUSTRY

GANSU RIBAO on Increase in Industrial Output Value
(Ma Huaqin; GANSU RIBAO, 15 Jul 86) 62

Briefs
Light Industrial Production 64

CONSTRUCTION

Briefs
Sichuan Communications Facilities 65

FOREIGN TRADE AND INVESTMENT

Guangdong's Exports Set 'New Record in History'
(Zhang Xu; ZHONGGUO XINWEN SHE, 17 Jul 86) 66

Foreign Trade Value Increases in May
(CHINA DAILY, 23 Jul 86) 68

Guangxi Uses Imported Technology To Boost Economy
(XINHUA, 20 Jul 86) 70

Briefs
Electronics Exports Increase 71
Beijing Surpasses Export Quota 71
Anhui Trade Consultations Successful 71
Zhejiang Trade Fair Success 71
Breakthroughs Urged in Foreign Trade 72
214 Businesses Opened Abroad 72
Fujian Exports 72

SPECIAL ECONOMIC ZONES

Tasks for Furthering Open Door Policy in Shenzhen Given
(Pan Enqi; GUOJI MAOYI WENTI, No 1, Jan-Feb 86) 73

Expansion of Shenzhen's Export-Oriented Economy Urged
(Tang Huozhao; LIAOWANG, No 11, 17 Mar 86) 77

LABOR AND WAGES

GONGREN RIBAO Discusses Trade Unions
(Han Xiya; GONGREN RIBAO, 3 Jul 86) 83

Qinghai Vice Governor's Speech on Employment
(Qinghai Provincial Service, 16 Jul 86) 87

Hunan Issues Trial Regulations on Wage Payments
(Hunan Provincial Service, 1 May 86) 90

Model Workers' Rally Ends, More Than 400 Take Part
(Jilin Provincial Service, 24 Jul 86) 91

JINGJI GUANLI on Enterprise Floating Wage System
(Long Xianying; JINGJI GUANLI, No 5, 5 May 86) 92

POPULATION

Briefs

Rapid Urban Development 99

TRANSPORTATION

Anhui Upgrades Highway Building Program
(ANHUI RIBAO, 24 Nov 85) 100

Hebei Reported Building More, Better Roads
(HEBEI RIBAO, 4 Nov 85) 101

/7310

RENMIN RIBAO DISCUSSES CONSUMPTION FUND GROWTH RATE

HK301515 Beijing RENMIN RIBAO in Chinese 28 Jul 86 p 5

[Article by Wen Qian [5113 3383]: "A Tentative Discussion on the Rational Consumption Fund Growth"]

[Text] Our common view is that consumption fund growth must be appropriate. However, what is the appropriate rate of consumption fund growth, and how do we bring under control the currently inflated consumption demands so as to ensure rational growth consumption fund growth? This article intends to raise some preliminary ideas on this issue.

An Objective Limit in Consumption Fund Growth

The consumption fund comes from national income. In order to achieve, the aim of socialist production and promote the development and perfection of socialist production, the consumption fund must maintain a moderate growth rate at every stage.

Judged by the objective economic conditions, consumption fund growth should have its maximum as well as minimum limits. The minimum consumption fund growth rate should be considered in the light of two factors: The growth of the number of employed people and the increase in the degree of labor proficiency. The degree of labor proficiency is a category which is difficult to measure correctly. In an economic operation, it can be reflected approximately in the technical ranks of producers. In consumption fund growth cannot reach this limit, not only can the aim of socialist production not be achieved, but also socialist production itself cannot be developed normally.

In reviewing the relationship between accumulation and consumption generally, the population growth rate is regarded as the minimum limit of consumption fund growth. At present, I think that this point of view should be changed. First, the achievement of the aim of socialist production is a process in which the average consumption level constantly increases. Under normal circumstances, this process will never stop. If the consumption fund growth rate is based on population growth rate as its minimum limit, we can only maintain the original living standards and this is not compaible with the essence of the socialist economy. Second, structually the necessary products in the socialist economy cannot only be of subsistence materials. They should also include the gradually increasing material of entertainment as well as the material of development. Quantitatively they should not be an unchangeable amount but constantly increase along with the increase and perfection in social production. Third, under the condition of the planned commodity economy, in the light of the principle of distribution according to work, the acquirement of people's income is directly decided by the conditions of employment as well as the increase in the degree of labor proficiency, rather than being decided by natural population growth.

What is the maximum limit of consumption fund growth? The maximum rate of consumption fund growth should exceed the growth rate of the national income. Judged from a long-term point of view, this is very evident. If consumption fund growth often exceeds this limit, it will result in a constant decrease in the accumulation rate, which is very unfavorable to socialist social expanded reproduction. Of course, it is absolutely necessary to lower the excessive accumulation rate properly at a certain state in the readjustment of the economy. If we fail to do so, we cannot eliminate serious dislocation of the national economy. However, through readjustment during the past few years, a new situation of sustained, stable and coordinate development has now arisen in our country's national economy, in which some major proportional relations, including the proportional relation between accumulation and consumption, already relatively suit the changed conditions. Under this condition, if consumption fund growth rate continues to grow faster than national income growth rate, this is very unfavorable to the development of socialist construction.

In recent years, together with the inflation of consumption demand, there has also existed accumulation demand inflation. It should be noted that accumulation demand inflation itself is also one of the factors resulting in the inflation of consumption demand. If these two kinds of demands are not properly macroscopically controlled, the phenomena of general social demand exceeding general social supply, as well as national income exceeding national distribution, will not be eliminated. Economic structural reform needs an environment under which the national economy can develop in a stable and coordinated way. On the one hand we should bring the scale of the investment in fixed assets under control so as to restrict excessive growth of accumulation demand. On the other hand, we should bring consumption demands under control, so as to strike a coordinated balance between consumption and accumulation, and to resolve the issue of excessive distribution of national income.

Correctly Understand the Meaning of Bringing the Consumption Fund Under Control

Macro control is an extension of planned readjustment. Nevertheless, the control of consumption demand we are talking about, is quite different from that before the 3d plenum of the 11th CPC Central Committee. In the past, people's consumption suffered an abnormal dual control. In macroeconomic control, as the tendency of engaging in production for the sake of production for the sake of production and attaching more importance to production than consumption existed, the growth of the consumption fund was seriously restricted by accumulation funds which were unifiedly planned and grew excessively, that negative growth arose in the actual average wage in whole-people owned units, on several occasions. In the operation of microeconomy, as the socialist enterprises were not at that time relatively independent commodity producers, the normal growth of consumption fund had to be restricted by a lack of microeconomic decisionmaking power on the part of the enterprises. Through economic structural reform carried out over the past few years, these two phenomena in violation of the operational law of the socialist economy, have been changed greatly and in macroeconomic control people have begun to take notice of properly meeting constantly increasing consumption demand from the people. Meanwhile, socialist enterprises have begun to acquire some microeconomic decisionmaking power. Under this condition, we should have a clearer understanding that consumption fund growth is objectively restricted by social economic factors.

In terms of the minimum limit, consumption fund growth should not be slower than social labor growth; and in terms of the maximum limit, consumption fund growth should not be faster than national income growth. Rational consumption fund growth should be consciously kept within this scope. According to the "Seventh 5-Year Plan," the actual per-capita consumption level of the people in the whole country will, on average, grow by 5 percent per year. Basically, this growth rate will be synchronous with the planned growth of the per-capita national income. This means that according to plans the consumption fund growth rate will basically reach its maximum limit. Exceeding this limit, it will become abnormal and bring about unhealthy consequences. At present, the so-called control of consumption demand is to keep consumption fund growth within the maximum limit allowed by the "Seventh 5-Year Plan." Therefore, if it was wrong to neglect the minimum limit of consumption fund growth in the past, it is equally wrong not to attach importance to the maximum limit of consumption fund growth.

The Key To Controlling Consumption Fund Inflation

The key to controlling consumption demand or consumption fund inflation in the production of material products, lies in correctly readjusting the proportional relationship between wages (including wage-like monetary income) and labor productivity calculated in terms of net output value.

The relationships between wages (including wage-like monetary income) and labor productivity is a relationship between the remuneration of labor and the result of labor production. Its essence is how much of the value newly created by a laborer should be set aside as a remuneration for him to own and use. The surplus of the newly created value after the deduction of wages or the necessary product value (v) becomes the profit in the form of surplus product of value mode (m). Through readjusting the ratio between wages and labor productivity, we can directly establish a ratio between wages and profits (namely, the ratio between v and m). As the ratio between wages and profits is based on the ratio between consumption and accumulation, the ratio between wages and labor productivity and the ratio between consumption and accumulation are closely interdependent. Changes in the ratio between wages and labor productivity will eventually result in changes in the ratio between accumulation and consumption. And in the final analysis, the readjustment of the ratio between accumulation and consumption should depend on the readjustment of the ratio between wages and labor productivity. Therefore, in order to bring the consumption fund under control, coordination of the relationship between accumulation and consumption must be realized through properly readjusting the ratio between wages and labor productivity.

Thus, we can learn that in order to correctly readjust the ratio between accumulation and consumption, in bringing the consumption fund under control, we must use the growth rate of labor productivity to restrict the growth rate of per-capita wages and keep it at least slower than the growth rate of labor productivity. However, the microeconomic reality is still quite different from this objective requirement. Basically, there are three categories of enterprises: first, those enterprises whose labor productivity growth rate is fast while their wages growth rate is slow; second, those enterprises whose age and labor productivity growth rates are basically the same; and third, those enterprises whose wages growth rate is faster in varying degrees than their labor productivity growth rate. Therefore, to bring the consumption fund under control, we should differentiate the different situations. While stabilizing and promoting the first two categories of enterprises, we should urge the third category to rapidly increase labor productivity and keep wages growth rate within the limti of labor productivity growth rate.

Profit, or, the surplus product, is not all used in accumulation, part of it has to be used through redistribution in non-material production. Therefore, the ratio between accumulation and consumption is not completely decided by the ratio between v and m, but restricted by the distribution ratio of these two parts of surplus products. Along with development of the socialist economy, the number of employed people in the sphere of non-material production will grow faster than that in the sphere of material production. Under this condition, to bring the consumption fund under control in the sphere of material production, we must also make the average growth rate of wages a certain degree slower than the increase in labor productivity. Of course, we should also exercise corresponding control over wages growth in the sphere of non-material production. Only by doing so can we ensure the accumulation rate will be relatively stable. Besides, consumption demand based on the monetary income of all job-holders should also be geared to growth in the production of consumer goods.

At present, mandatory planning is still an important means of the consumption fund bringing under control. Nevertheless, the implementation of planned control must be integrated with the application of economic levers. For example, using regulatory taxes on wages to check excessive wages growth and using taxes on bonuses to check the excessive growth of bonuses.

/6662
CSO: 4006/1228

NATIONAL POLICY AND ISSUES

BRIEFS

URBANIZATION PACE SPEEDING UP--Beijing, 19 Jul (ZHONGGUO XINWEN SHE)--JINGJI CANKAO reports today that China is in the process of rapid urbanization. Large numbers of rural inhabitants will become town dwellers, and the number of towns will increase. According to statistics, the urban population in China has risen to 20.35 percent of the total population, compared with about 12 percent 10 years ago; the number of cities has increased from about 200 previously to 342; the number of towns has reached 7,511; and urban areas now account for over 20 percent of the national area. The report says that urbanization in China will speed up further in the next few years. The proportion of the urban population will show sustained growth, the number of cities will reach 500, and the number of county towns will exceed 10,000. The position of the cities in the national economy will become still more important. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 0425 GMT 19 Jul 86 HK] /8918

CSO: 4006/1191

HEBEI PROVINCIAL CONFERENCE ON SEVENTH 5-YEAR PLAN CONVENED

Shijiazhuang HEBEI RIBAO in Chinese 16 Dec 85 p 1

[Article by reporters from the Hebei People's Broadcasting Station and the HEBEI RIBAO: "Provincial Conference on State Planning Held at Shijiazhuang To Clarify Guiding Philosophy in Seventh 5-Year Plan and Safeguard Coordinated Development of All Projects--Zhang Shuguang, Li Feng, Ye Liansong, and Hong Yi Attend and Deliver Speeches"]

[Text] The Hebei Provincial Conference on State Planning was convened at Shijiazhuang on 12 December 1985. The main tasks of this conference have been to study and examine the tentative proposals of the Seventh 5-Year Plan, to make initial planning arrangements for 1986, and to search for ways of further improving the development of economic reconstruction in our province so that all our provincial projects develop in a continuous, stable, and coordinated fashion.

In total, over 400 persons from all over the province have taken part in the conference. They include municipal assistant directors, mayors, planning committee directors, finance bureau chiefs, leaders at the county and district levels who are directly attached to the municipal administration, as well as leading comrades from a broad array of provincial departments.

On 12 December, Provincial Governor Zhang Shuguang delivered a speech on the guiding philosophy and policies, the key development projects, and the basic measures of national economic and societal development to be implemented in the province during the tenure of the Seventh 5-Year Plan (excerpts from the speech will be published elsewhere). Provincial Vice Governor Li Feng delivered a speech on accelerating our development of tne "Shan Hai" dam project. Another provincial vice governor, Hong Yi, delivered a speech concerning problems of finance. This morning another provincial vice governor, Ye Liansong, gave us an explanation of the planning arrangements for national economic and societal development in the province over the coming year (1986).

On December 13-14 and this afternoon, the conference delegates divided into small groups to discuss the speeches delivered by leading comrades from the provincial government. All of the delegates believe that the speech by Comrade Zhang Shuguang reflected the spirit of the Seventh 5-Year Plan as proposed by the Central Committee; tallied with actual conditions in our province; objectively analyzed the conditions under which the Sixth 5-Year Plan was implemented; and clarified the guiding philosophy for the development of society and the national economy under the Seventh 5-Year Plan. The delegates also believe that the strategic arrangements, principles, policies, and overall direction are correct as he described them; that he made the focal points at issue stand out; and that he even provided some new viewpoints regarding certain vital issues. Comrade Zhang Shuguang's speech correctly evaluated the achievements that reform has brought about, thereby strengthening everyone's courage and faith to do a good and resolute job of carrying out reform. Through the utilization of statistical materials, Comrade Zhang Shuguang analyzed the history of the 30-odd years of economic development in our province, thereby deepening the delegates' acquaintance with the laws of economic development and, furthermore, clarifying the relations that exist between speed and profit, on the one hand, and between the part and the whole, on the other. Comrade Zhang Shuguang clarified the guiding philosophy for all the delegates by raising such important issues as: the development of the "Shan Hai" dam; the strategic policy of giving priority to the development of light industry and textiles; and the crucial role of coordination in the overall drive for continuity, stability, and coordination in economic development.

During the discussion sessions, the delegates were relatively enthusiastic about speaking forth on agricultural issues. All of them said that the speech given by Comrade Zhang Shuguang embodied the spirit of the Central Committee's adage, "Grain shortfalls lead to instability, even chaos." His speech also scientifically analyzed the history of our province's agricultural development, including the special characteristics contributing to the instability of our grain production. Delegates from every county in the province indicated that during adjustments in the structure of agriculture throughout the province they will endeavor to maintain adequate levels of acreage planted in grain; to raise the yield per unit area; to increase the total yield; to buckle down to study and work out concrete policy arrangements; and to arouse still further the peasants' enthusiasm for working hard at grain production. Comrade Zhang Shuguang's suggestions during his speech that we establish foundations for corn production in eastern Hebei, for cotton production in Heilonggang, for wheat and other grain production on flatlands along both sides of the railway linking Beijing to Guangzhou, and for vegetable production in the outskirts of large and medium-sized cities, were considered by the delegates to tally with actual conditions in our province. In order to accelerate the construction of these foundations for agricultural production, it is necessary to intensify still further not only the remaking of agricultural technology and the reconstruction of agricultural irrigation works, but also the comprehensiveness in the system of services to the agricultural sector in both its preproduction and postproduction phases.

Cities that have relatively good foundations in light industry and textile manufacturing, such as Shijiazhuang and Handan, must accelerate their transformation of the technology existing in old enterprises, and depend on technological advances to develop highly acclaimed, top-grade products as well as particularly competitive products which can batter breaches into new markets, thereby leading to ever more development of light industry and textile manufacturing. In the areas of Cangzhou and Hengshui, various preparations have been made to create positive conditions for the shifting of their textile-processing facilities to the cotton-production center of Heilonggang. The group directly involved in provincial administration pointed out that Comrade

Zhang Shuguang's speech emphasized developing the national economy and all sorts of projects in a continuous, stable, and coordinated fashion, and especially emphasized the crucial role of coordination; they noted that his summing-up was derived from historical experience. The work of our provincial organizations is certain to implement earnestly this guiding philosophy, to manage with finesse all the important relations of proportion, and to control the macrostructure with effectiveness.

The conference is still in session.

13169/5915
CSO: 4006/604

PROVINCIAL AFFAIRS

HENAN GOVERNOR CITES SIXTH 5-YEAR PLAN FIGURES

HK011213 Zhenzhou Henan Provincial Service in Mandarin 1230 GMT 30 Apr 86

[Text] In his report on the province's Seventh 5-Year Plan made at the Fourth Session of the Sixth Henan Provincial People's Congress, Governor He Zhukang said: The 5 years during the Sixth 5-Year Plan period were 5 years when the national economy increased at a relatively high speed, continuously, and steadily in the course of readjustment. Governor He Zhukang pointed out, during the Sixth 5-Year Plan, our province's national economy developed in an all-round way, all main economic quotas were exceeded, the province's gross industrial and agricultural output value increased by an average of 10.3 percent each year, the gross industrial output value increased by an average of 10.9 percent each year, the gross agricultural output value increased by an average of 9.6 percent each year, the national income increased by an average of 10.6 percent each year, and financial revenues increased by an average of 8.8 percent each year.

Governor He said: During the Sixth 5-Year Plan, output of the main industrial and agricultural products increased by a big margin. Compared with 1980, in 1985, raw coal increased by 39.7 percent, crude oil by 240 percent, electricity output by 31.2 percent, and steel by 50.8 percent. The total output of grain for the 5 years was 130.4 million tons, an increase of 24.8 percent over the Fifth 5-Year Plan. The total grain exported from the province in the 5 years was 6.98 million tons and of cotton 964,000 tons. Our province was one of the main provinces throughout the country in exporting grain and cotton.

In dealing with key projects and technological transformation during the Sixth 5-Year Plan period, Governor He said: The units owned by the whole people invested in capital construction and technical innovation and transformation over the 5 years of 60.4 percent more than in the Fifth 5-Year Plan period and the province made arrangements for a total of 28 large and medium-sized capital construction projects, completed 11 projects and put them into operation, put 10 into partial operation, built 238 kilometers of new railroads, and built 2,417 kilometers of new roads. All these projects were in areas which had been the weak links of our province's national economy, improving them to a certain extent and thus strengthening the material foundation for the Seventh 5-Year Plan period.

In his report on the Seventh 5-Year Plan, Governor He Zhukang pointed out that during the Sixth 5-Year Plan period, our province scored gratifying achievements in strengthening the development of intellectual resources and promoting scientific and technological progress. The amount invested in capital construction in the areas of science and education for the 5 years of the Sixth 5-Year Plan was 52.6 percent more than in the Fifth 5-Year Plan period. In the area of education in the 5 years ordinary institutes of higher learning enrolled a total of 87,300 students, higher institutes of adult education 103,500 students, and secondary vocational schools 141,700 students, exceeding the number planned. To meet the need for a large number of qualified personnel for the development of the national economy, our province restored, rebuilt, and built a large number of secondary forestry and agriculture schools, which enrolled a total of 153,200 students over the 5 years. General education was gradually strengthened. Sixty-one counties throughout the province basically popularized primary education.

In this report on the Seventh 5-Year Plan, Governor He Zhukang said, the 5 years of the Sixth 5-Year Plan were 5 years when the people's livelihood throughout the province markedly improved. Urban and rural incomes in the whole province increased more than at any time since the founding of our country. After factoring out inflation, the per capita annual income of urban residents increased by 32.6 percent and the per capita annual net income of the peasants by 98.5 percent. In the 5 years, the urban areas throughout the province arranged employment for 1.6 million people, thus lightening the workers' burden in providing for their families. The people's food, clothing, and daily-use goods in the whole province improved relatively greatly in quantity and quality. In the 5 years, the urban areas throughout the province built some 30 million square meters of housing, roughly equal to the total housing built in the past 28 years; and the rural areas built 266 million square meters of housing. Urban and rural people's living conditions improved. Total residents' savings deposits in the whole province by the end of 1985 had reached 8.4 billion yuan, some 300 percent more than in 1980.

/6662
CSO: 4006/1228

READJUSTMENT, CONSOLIDATION OF HEBEI ECONOMY

Shijiazhuang HEBEI RIBAO in Chinese 6 Nov 85 p 4

/Article: "Hebei's Economic Sectors Make Great Strides"/

/Text/ Since Hebei's economy was readjusted during the Sixth 5-Year Plan period, the economic restructuring program has improved significantly. Strategic sectors, such as agriculture, energy, transportation, science and technology, education, etc., have all been consolidated. With the steady rationalization of the production structure and the general coordination of the proportion between accumulation and consumption, favorable conditions have been created for promoting Hebei's economic growth. However, due to the province's requirements for economic growth and the need to improve the people's living conditions, there are still obvious disequilibriums. This calls for much greater emphasis on continued efforts to adjust the production, product, and entrepreneurial structures during the Seventh 5-Year Plan period so as to promote the rationalization of economic planning and distribution.

In accordance with the spirit of seriously solving three problems in terms of strategic planning during the Seventh 5-Year Plan period as outlined in the "CPC Central Committee's Proposal To Initiate the Seventh 5-Year Plan for the Development of the National Economy," the following points on Hebei's economic construction and planning merit our serious attention:

1. We should further adjust the production structure. This calls for meeting the people's needs for a higher level of consumption under changing consumption structures along with a rational adjustment of the production of consumer goods. It is, therefore, necessary to speed up the development of the rural commodity economy. Starting with Hebei's natural resources, steps should be taken to further readjust the rural production structure and the internal structure of agriculture in line with the principle in favor of the overall development of agriculture, forestry, livestock breeding, and fisheries as well as the multipurpose operation of agriculture, industry, and commerce. Under no circumstances should grain production be slackened. At the same time, the development of afforestation, livestock breeding, sideline production, and fisheries should be speeded up, particularly stressing the need to open up all available channels to livestock breeding, seeding, livestock feeding, and processing. Once livestock breeding is developed, both food and fodder production can be expanded. This will promote the development of afforestation and bring about favorable

cycles in agriculture. At the same time, we should step up the propagation and application of the scientific and technological results of agriculture in order to continously modernize agriculture. In addition, we should vigorously develop the production of textiles, clothing, food and other durable consumer goods. Moreover, we should energetically promote related services such as transportation and postal, telegraphic, commercial, information, consulting and financial services so as to conform to the needs of a developed commodity economy. We should above all develop tertiary production industry, promoting especially the service industry that caters to the people's daily needs so as to gradually solve the difficult problems of feeding and clothing and attending to household repairs.

2. We should put together financial and material resources to insure that key projects are completed. At the same time, we should step up the technical transformation of existing enterprises so they can be rebuilt and expanded, along with the application of advanced technology to equip national economical departments. Most of the key projects undertaken in Hebei involve the use of energy, raw and semifinished materials and other resources urgently needed for the development of the national economy as a whole. For example, Hebei is short of 700,000 kW of electricity annually. Therefore, no efforts should be spared to gather funds from every available source so that key projects like the Shangan and Xindan power plants can proceed with success. At the same time, existing power plants should be rebuilt and expanded so as to increase their power-generation capacity. Only when key projects are moved forward can the economy as a whole be revived to back up and provide a sound foundation for economic growth in the next decade. This is a general scheme of Hebei's economic development program. Although the province boasts over 15,000 industrial enterprises, speeding up the technical transformation of existing enterprises still forms the basis for propelling Hebei's economy forward. Technical transformation, along with rebuilding and expanding processes, generally contributes to savings in investment, shorter cycles, and quicker results. Hence, in terms of adjusting the production and product structures, conserving energy and raw and semifinished materials, as well as raising product quality and achieving economic results, taking the path to greater reproduction by vigorously bringing about technical transformation and promoting rebuilding and expansion is the key to speeding up Hebei's economic growth.

3. With the central cities as the core, we should speed up the development of mountainous, coastal, and dam-siting areas as they comprise two-thirds of Hebei's total land area and one-third of its population. In view of Hebei's access to vast land and abundant resources, there is great potential for developing this area economically. In the course of continuing to consolidate the economy of the plain section of the province, gradually moving key development projects toward mountainous, coastal and dam-siting areas is a long-term strategic plan for developing Hebei's economy. However, since these regions are largely inaccessible and lack qualified personnel and energy resources, the conditions for promoting their economic growth are poor. This has seriously affected the exploitation of resources and reduced the chances of peasants getting rich. To speed up the development of these regions in terms of the local economy, we must rely on central cities as a means of integrating urban with rural areas, apart from formulating correct policies in line with local

conditions and mobilizing positive forces from available channels. Since cities serve as the core for the development of economy, science, technology, culture, education and information, and particularly economic growth, they are flanked by medium-sized cities holding great promise of development. With Beijing and Tianjin, along with seven medium-sized cities and scores of townships as the center, they can weave multiple layers of individually unique economic webs. This will give full play to the functions of central cities, thereby promoting the simultaneous economic growth of cities and neighboring regions and mountainous, coastal, and dam-siting areas. With urban and rural areas economically supporting each other toward attaining economic growth and affluence, this sole approach to speeding up Hebei's economic development should be the guiding principle for reviving the province's economy.

The economic planning of a province is closely linked to that of the whole country. In this sense, it should be closely integrated with the economic planning of adjacent provinces, cities, and autonomous regions. Hence, we should strengthen cooperation with neighboring provinces and cities and adopt an open door policy in order to rationalize economic planning. If this is achieved, it will be possible to promote greater economic results and boost labor productivity, thereby providing favorable conditions for economic growth of society as a whole.

12661/12228
CSO: 4006/538

conditions and mobilizing positive forces from available channels. Since cities serve as the core for the development of economy, science, technology, culture, education and information, and particularly economic growth, they are flanked by medium-sized cities holding great promise of development. With Beijing and Tianjin, along with seven medium-sized cities and scores of townships as the center, they can weave multiple layers of individually unique economic webs. This will give full play to the functions of central cities, thereby promoting the simultaneous economic growth of cities and neighboring regions and mountainous, coastal, and dam-siting areas. With urban and rural areas economically supporting each other toward attaining economic growth and affluence, this sole approach to speeding up Hebei's economic development should be the guiding principle for reviving the province's economy.

The economic planning of a province is closely linked to that of the whole country. In this sense, it should be closely integrated with the economic planning of adjacent provinces, cities, and autonomous regions. Hence, we should strengthen cooperation with neighboring provinces and cities and adopt an open door policy in order to rationalize economic planning. If this is achieved, it will be possible to promote greater economic results and boost labor productivity, thereby providing favorable conditions for economic growth of society as a whole.

12661/12228
CSO: 4006/538

PROVINCIAL AFFAIRS

SHAANXI GAINS IN INDUSTRIAL OUTPUT

Xian SHAANXI RIBAO in Chinese 6 Nov 85 p 3

/Article: "Shaanxi's Industrial Output Rising"/

/Text/ The gross value of industrial and agricultural output in China was up 15 percent in 1984 over that of the preceding year, with per capita income rising 13 percent. According to estimates compiled in 1985, the gains in both GVIAO and per capita income will be over 13 percent.

The current economic situation in Shaanxi is excellent. This is evidenced by the completion ahead of schedule of the major projects announced in the Sixth 5-Year Plan. The GVIAO in the province last year reached 22.4 billion yuan, greatly surpassing the goal of 20.4 billion yuan set in the Sixth 5-Year Plan. It is estimated that this year's figure will top 24.8 billion yuan. Comparing 1984 with 1950, Shaanxi's financial revenues went up 16.8-fold, amounting to 1,522,000,000 yuan and being equivalent to an average annual gain of 9 percent.

Shaanxi's GVIO in the first 9 months of this year was 12,642,000,000 yuan, up 20.6 percent over the same period last year. The breakdown shows that the gross value of light industry output was 5,681,000,000 yuan, up 18.5 percent over the same period last year. The gross value of heavy industrial output was 6,961,000,000 yuan, up 22.3 percent over the same period last year.

Shaanxi's estimated value of industrial output of 5,458,000,000 yuan during that period shows a gain of 17.3 percent over the same period last year. The revenues from sales in the amount of 5.42 billion yuan is up 22.7 percent over the same period last year. The profits realized in the amount of 502 million yuan show a gain of 22.9 percent over the same period last year. After paying the profit tax to the state in the amount of 763 million yuan, the gain is 23.8 percent over the same period last year.

Over the years Shaanxi's financial revenues have been steadily on the rise. The accumulated figures for this year's first 9 months of 1,415,000,000 yuan comprise 92.39 percent of the annual plan, up 15.47 percent over the same period last year. These gains in terms of amount and percentage growth were rare in the province in the past. When the state in 1985 approved 741 enterprises jointly financed by Chinese and foreign capital, the latter contributed 2.66 billion yuan.

In the same year Shaanxi's foreign trade transactions totaled 405 million yuan, up by 68-fold compared with 1951's 5.84 million yuan. In terms of the gross value of Shaanxi's exports to foreign countries, industrial and mining products went up 87.5 percent, with agricultural and sideline products comprising only 12.5 percent. At present, Shaanxi's products are exported to over 100 countries and territories worldwide.

From 1978 to 1983 Shaanxi (including enterprises operated by central departments) brought in 150 categories of foreign technological equipment amounting to $400 million. In December 1984 a meeting for economic and technical cooperation with foreign countries was held in Xi'an at which 140 contracts were signed. Transactions concluded at the meeting amounted to over $400 million. In addition, 50 agreements involving $680 million were signed.

12661/12228
CSO: 4006/538

ECONOMIC DEVELOPMENT ZONES

JINGJI RIBAO ON ZHUJIANG DELTA ECONOMIC ZONE

HK300811 Beijing JINGJI RIBAO in Chinese 21 Jul 86 p 2

["Work Research" column by Wang Xueming [3769 1331 2494]: "Give Full Pay to the Strong Points of the Zhujiang Delta Economic Zone"]

[Text] Bordering on the Nan Hai in the south, the Zhujiang Delta is the largest alluvial plain in the subtropical region. Crisscrossed by rivers, the delta has ample water resources for irrigation and a very good water transport service. This, plus such favorable conditions as being close to Hong Kong and Macao and having a large number of Overseas Chinese, turned the Zhujiang Delta a long time ago into an area with a developed commodity economy and particularly developed economic relations with foreign countries, and has turned it into Guangdong's most important economic development zone.

Since China implemented a policy of opening to the outside world, the Zhujiang Delta has gradually developed into an economic zone with the following special features:

A Multilevel Open Zone

The Zhujiang Delta has become the most open zone in the country. Situated in the southernmost part of the delta, Shenzhen and Zhuhai, the two special economic zones practicing special policies, constitute the first level in opening to the outside world; situated in the middle of the delta, the open city of Guangzhou constitutes the second level; and the rest of the delta, in the form of an open economic zone, constitutes the third level. This multilevel open policy has stimulated the rapid growth of the economy. From 1980 to 1985, the gross value of the industrial and agricultural production in the zone increased at an average of 12 percent annually, attaining the objective of quadrupling the output value ahead of schedule.

The Export-oriented Economy Has Become More Conspicuous

Ever since it implemented the open policy, the Zhujiang Delt has fully utilized its strong points of being close to Hong Kong and Macao and having a large number of Overseas Chinese. On the one hand, through various forms, such as processing using supplied materials or samples, assembling from supplied parts, conducting compensatory trade, and forming joint ventures with foreign investors, the Zhujiang Delta has utilized $2 billion and imported large quantities of advanced technology and edquipment, bringing about fundamental changes in its technological and economic bases; on the other hand, by adjusting its production structure and taking the international market as the objective it has managed to increase its trade volume by about 100 percent. Tourist and service trades developed with the use of foreign capital can be found in all parts of the delta.

Regional Division of Labor and Coordination Among Specialized Departments Have Increasingly Developed

Lacking energy and natural resources, the Zhujiang Delta has markedly increased the proportion of light industries by vigorously developing textile and other light industries. The rapid development of the textile, plastics, food, electronics, and household electrical appliance industries has turned these industries into the pillar industry of the delta.

With the development of the economic reform, various forms of economic association and division of labor in the delta are developing at a higher level and over a greater range. Not only has the association within or among trades been increasing continuously, but there are also trends showing that small and medium-sized cities and towns are developing toward specialized production and that large, medium-sized, and small cities are moving toward clearer division of labor.

Establishing and developing the Zhujiang Deltaeconomic zone is the objective demand of the development of the commodity economy. By coordinating the division of labor, it will not only help bring into fuller play the strong points of the delta so as to develop its economy most quickly but, by taking the Zhujiang Delta as a base, it will also open the gate to the international market, link the economies of the vast southwestern and central-south regions and foreign countries, absorb more economic information and advanced technology from abroad, and stimulate economic development in the central-south and southwestern regions.

1. To build well the Zhujiang Delta economic zone well, it is necessary to work out a development plan so that we can have rational industrial distribution and division of labor in the economic zone. We should raise the level of specialized cooperation and prevent losses caused by duplicated establishment of industrial enterprises, duplicated imports, and irrational competition. We should implement the development plan in coordination with the policies on industry, investment, and taxation, as well as with the management of imported technology and, through these economic levers and the necessary administrative management, gradually coordinate economic development in the economic zone with the planned targets. The plan should maintain its scientific approach. However, we should also constantly revise its contents in light of the changing situation so that it can guide practical development.

2. We should reform the criteria for assessing economic performance and the planned price structure and promote lateral economic association among enterprises. The basis of economic vitality in the economic zone lies in enterprises and the different forms of economic association among enterprises are the best method of attaining better economic results with small investments. To encourage enterprises to develop specialization through association, it is necessary to further reform the current methods of assessing economic performance and the planned price structure. It is necessary to establish an assessment structure with the general efficiency targets as the core in order to stimulate the rational flow of capital; taking market demands as the basis, the plan should be formulated flexibly and with foresight; prices should gradually reflect demand and the value of and thus stimulate the development of specialization.

3. It is necessary to work out a preferential policy to encourage outward development. The Zhujiang delta economic zone's economic relations with foreign countries are an extremely important link in its economic activity as a whole. In order to quicken the pace of economic development and to play the role of an intermediary in importing advanced technolgoy, it is essential to develop economic relations with foreign countries, it is necessary to work out a series of preferential policies so that the enterprises may compete and develop on the international market and gradually develop an export-oriented production structure combining commerce, industry, and agriculture.

4. It is necessary to reform the banking management structure and to establish diverse capital markets. Capital is at the core of economic activities. The practice of the Zhujiang Delta in recent years has proved that it would be impossible to invigorate the economy without invigorating the capital. Therefore, in order to invigorate the economy, it is necessary to develop diverse capital markets, to institute a multilevel and diversified system for the supply of short-term loans, to stimulate the flexible flow of capital in the Zhujiang Delta economic zone according to market and production demands, to quicken capital circulation, to improve the efficiency in using capital, and to promote economic growth as a whole.

/6662
CSO: 4006/1229

ECONOMIC DEVELOPMENT ZONES

BRIEFS

SHANGHAI ECONOMIC ZONE GROWTH--According to a JIEFANG RIBAO report, industrial production of the Shanghai Economic Zone grew steadily in the first half of this year. According to initial statistics released by Jiangsu, Zhejiang, Anhui, Jiangxi, and Shanghai, total industrial output value of the zone amounted to 131.33 billion yuan in the first 6 months of this year, up 7.3 percent from the same period last year. The June figure is 9 percent higher than the same period last year. Industrial development of the Shanghai Economic Zone had the following features in the first half of this year: 1. Light industry developed faster than heavy industry. Total light industrial output value of the zone increased by 8.3 percent over the same period last year, while heavy industrial output value increased by only 5.9 percent. 2. Development of collective industry still led other industries. With the exception of Shanghai, whose collective industrial output value decreased slightly in the first 6 months, collective industrial output value of the four provinces increased by 12.9 to 19.2 percent over the same period last year, all surpassing the growth of their individual state-owned industry. [Text] [Shanghai City Service in Mandarin 0000 GMT 21 Jul 86 OW] /6662

CSO: 4006/1229

ECONOMIC PLANNING

BRIEFS

SHAANXI DEVELOPMENT PLANS--The province has drawn up specific plans for supporting economic development in northern and southern Shaanxi. A meeting of the provincial government on 17 July heard a report on these plans and held that the measures are effective, clear-cut, and practical. The meeting held that large-scale support should be given to northern and southern Shaanxi in capital, loans, projects, technology, and talent. Investment for capital construction and technological transformation for these areas this year should take up a greater proportion of the province's total figures than last year. In the next 3 years, the focus should be on supporting every county in northern and southern Shaanxi in building a backbone project that needs little investment and produces quick and good results. It is necessary to solve the masses' food and clothing problems. By the end of the Seventh 5-Year Plan there should be a big change in the economic situation in these areas. [Excerpts] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 18 Jul 86 HK] /6662

CSO: 4006/1228

ECONOMIC MANAGEMENT

JOURNAL EXPLAINS ENTERPRISE GROUPS

HK290813 Beijing JINGJI GUANGLI in Chinese No 5, 5 May 86 pp 13-16

[Article by Li Yinshui [2621 7390 3055] and Mao Zhiquan [3029 1807 3123]: "More on Enterprise Groups"--edited by Pan Shucheng [3382 6615 3397]]

[Text] Editor's Note: This article is the sequel to "A New Type of Enterprise Group--General Plants Are on the Rise" carried in Issue No 3, 1985 of this journal.

Enterprise groups or blocs are a product of lateral economic associations between enterprises and are objectively needed by the development of the socialist commodity economy. Enterprise groups, like any other form of economic association, undergo a process of formation, development and perfection. The experience of comrades of Changzhou City is: "Association backed by reorganization means a steady source of money; association not backed up by reorganization means fruitless efforts." This profound statement deserves some deliberation by comrades of various localities, departments, and enterprises.

In order to further promote the smooth and healthy development of lateral economic associations, we encourage comrades to offer their experiences and suggestions on related issues to us for includion in this journal. [End Editor's note]

Enterprise groups, now being formed and developed in Changzhou City, are heading in the direction of specialized division of labor, formal diversification, and the switch to shareholding within the group.

1. Specialized division of labor. Enterprise groups are lateral associations established on the basis of the principles of coordination among specialized departments and economic rationality. In line with the objective requirements of socialized mass production and economy of scale, they are promoting the fine division of labor in the production of products within the enterprise groups and the specialization of the organizational structure. On the other ha,d the steady intensification of specialized division of labor within the enterprise groups is further promoting the association and closer cooperation between enterprise groups. This is conducive to the consolidation, development, and perfection of the enterprise groups. For example, the

Changzhou Knitting General Mill only had five factories when first set up. In order to continuously develop new products, strengthen their ability to adapt to market changes, tap the latent potential, reduce costs and improve economic benefits, they continuously refined their production organization with the focus on products and in accordance with the requirements of economy of scale, set up smaller accounting units and sought further development on this new basis. Now the general mill has 20 specialized factories, producing over 1,000 varieties of products under 12 major categories, including warp- and weft-knitted fabrics, all-cotton stretch fabrics, interlock fabrics, polyester, wools, towels, flocking and silk-covered cotton. Originally they could only produce 100 or so varieties under eight major categories. Now the mill is a huge serialized knitting integrated enterprise producing numerous varieties of chemical and all-cotton fabrics, which sees the coordinated development of knitting, dyeing and treatment, and the processing of apparel. The Changzhou Camera General Plant is another example. Ofiginally it was a "small but complete" enterprise including stamping, striking, shooting, optics, electroplating, heat treatment, general assembly, and other items of parts processing and technical production. Only a small amount of parts and components was processed or produced by means of division of labor and coordination with the "dragon." Since the organization of group production in 1979, several initiatives have been taken to readjust the production structure of the general plant and to positively assist the branch factories in carrying out specialized production, as a result of which the degree of specialization and socialization in the production of cameras has been rapidly raised. Upon this basis, the camera general plant is now planning to hand down the production or processing of parts and components such as stampings, mechanically-processed parts, and springs in the next two years. By dismembering the "small but complete" setup into specialized branch factories, the general plant can concentrate its efforts on improving its optical, molding, shooting, general assembly and testing divisions with the factory space spared and strengthen the research and development of new products. The general plant should, without increasing its factory space or number of employees, aim at producing series of cameras of the medium- or high-grades and boosting output from 230,000 pieces to 500,000 pieces. The No 3 Camera Factory will be a specialized stamping factory producing 97 types of parts and components; the No 4 Factory will be responsible for all the processing of mechanical parts; while the No 6 Factory will produce 48 types of springs for cameras. They will also provide camera factories throughout the province and the country with parts.

Because the specialized division of labor has such obvious strong points, its development quickly picked up momentum and became a strong force expediting the dismembering of "big and complete" and "small but complete" enterprises. The leaders of many general plants have come to this realization through their personal experience: Association backed by reorganization means a steady source of money; association not backed by reorganization means fruitless efforts.

2. Formal diversification. At present more and more enterprise groups are developing from monotypic into composite modes and heading in the direction of groups that are three-dimensional, omni-bearing, and wide-spanned. Vertical associations may stretch from relevant national or provincial corporations and enterprises run by counties, townships, and villages to joint-household enterprises and specialized households and be integrated with the setting up of farm and sideline product bases. In lateral associations, scientific research, educational, financial, circulation, foreign trade, and other units may forge links with the development of new products and the opening of domestic and overseas markets, the positive development of the processing and raw material industries, and the setting up of industrial raw material bases. In terms of scope, an association may span a city and its rural areas, be trans-regional, trans-provincial or trans-city, or even have foreign partners. Constant efforts are being made to explore new opportunities. Let us cite the Changzhou Brewery General Plant as an example. This general plant never had a fixed supply base for malt, which is an essential raw material for [word indistinct] beer. As the output of beer grew, the supply of raw materials became more and more of a problem. Baoying County in Yangzhou City, on the other hand, has the ideal geographical conditions for growing wheat. However, its huge output of quality wheat does not have a stable buyer. Through mutual consultation, the Baoying Malt Factory of the Changzhou Brewery General Plant was set up. Supply and demand relations were thus fixed. The Lanling Rubber Plant, for another example, jointly set up the Changzhou Damping Instrument Integrated Company with Xian's Jiaotong University, Tongji University, the Changchun Applied Chemistry Institute of the Chinese Academy of Sciences, the Changzhou Organic Chemical Engineering Factory and the Jintan Muffling and Insulating Material Factory to shoulder scientific research tasks handed down by the state and jointly developed damping rubber products. The Changzhou Embroidery and Handkerchief General Plant is working on a joint operation with the Arts and Craft Corporation of the Ministry of Ligh Industry, with the General Plant responsible for production and the Corporation responsible for the export of products. The Jiangsu Sack and Plastic Packaging Joint-operated Company is a joint operation with investments from the Yonghong Plastic and Woven Bags Factory, the China National Native Produce and Animal By-products Import and Export Corporation and its Jiangsu branch, and the Chanzhou branch of the Bank of China which imports advanced technology and equipment from abroad and organizes the export of products. With the steady expansion of management autonomy for enterprises and the rapid development of commodity production, there will be closer ties between vertical and lateral associations and new types of enterprise groups will continue to emerge.

At present, there are the following types of enterprise groups:

A. Production-oriented groups. There are twelve of these groups at present. They are mainly organized by production enterprises with internal economic links for the purpose of quickly building up the market coverage and competitiveness of their products. This kind of three-level production association which links up the key enterprise (general plant), supporting enterprises (branch factories) and coordinating enterprises (relatively stable coordinating enterprises (relatively stable coordinating units) is currently the principal form. Enterprises taking part in such groupings usually retain their independent status as a legal entity, but have lost part of their independence as far as production and sales are concerned. There are five different forms of this kind of grouping: 1) Ties of coordination between the whole machine and its parts and components; 2) Ties of coordination between different technological processes in production; 3) Ties between the production, intensive processing and comprehensive utilization of raw materials; 4) Ties of coordination between the processing of semi-processed products and the production of final products; and 5) ties of specialized division of labor in the production of a single trademark.

B. Sale-oriented groups. There are four of these at present. They are mainly set up by enterprises producing similar products for the purpose of jointly promoting the sale of their products and organizing their raw materials in a unified way. The participating enterprises still retain their independence in production and in the legal sense, but have lost their relative independence in the sale of products because most of them no longer have any direct contacts with the market. Take the Changzhou Fine-toothed Comb Factory for an example. The fine-toothed combs, a conventional handicraft article for everyday use, produced by this factory are well-renowned at home and abroad and their output accounts for more than 70 percent of the nation's total output. Driven by their own interests, however, four enterprises vied with each other for raw materials, processing bases and markets, with the result that both quality and cost were affected and the production of this conventional famous brand was jeopardized. In order to fully exploit the favorable conditions enjoyed by Changzhou in the production of fine-toothed combs, the Changzhou City Fine-toothed Comb Factory, Wujin County Fine-toothed Comb Factory, and the Weixing and Yonghong Fine-toothed Comb Factories in Changzhou City jointly set up the China Changzhou Fine-toothed Comb Company to organize raw materials and contract out processing jobs in a unified way, standardize product quality, technical standards and the use of trademarks, and promote sales in a unified way. In this way, the company not only restored the conventional features of the product and made constant innovations, but won a silver award from the state. Other examples include the Chzngzhou Socks General Plant.

C. Production-operation groups. There are 30 such groups.

D. Scientific research-production groups. There is one such group.

3. Shareholding within the group. Enterprise groups are organizations of enterprises characterized by associated labor. With the intensification and development of coordination among specialized departments within the group, the formation and strengthening of the group's productive forces which have lateral associations as their special features, and the rapid expansion of their scale of production, how to enhance the overall coalescing power of the group and the centripetal force of its members, and safeguard the overall interests of the group while taking care of the interests of various member enterprises has become a problem of growing concern. The kind of structure organized on the basis of coordination in the production of products

with economic contracts as their only link can no longer meet the needs of individual development and is insufficient as a means of safeguarding the long-term coexistence, stability, and prosperity of the enterprise groups. There is an urgent need to break away from the unitary form of ownership and organize a new structure with closer internal economic ties that can meet the development of the productive forces of the group. This new structure of grouping is the switch to shareholding in enterprise groups. The need for this has been borne out by the practice of the development of enterprise groups, and the seeds of this new type of enterprise group have already begun to sprout. Take the Changzhou Bicycle Chain Branch Factory for an example. In the face of competition and challenge from six similar enterprises in the province, it fell short of the task of carrying out mass production and increasing varieties. The general plant invested 1.1 million yuan in this factory to assist in its expansion endeavors. Soon this factory defeated its fellow competitors in the province. It produces as many as 4.6 million bicycle chains a year and is able to supply the needs of 19 bicycle factories throughout the country. The Bicycle General Plant had also invested at different times in the Qianhuang Axle Sleeve Factory, the Jingjiang Axis Factory, the Anji Cold Rolling Factory, and the Nantong Chain Guard Factory, and was ready to invite share subscriptions from the commercial sector. The Changzhou Camera General Plant is another example. While parting with its part and component production lines, the general plant converted the relevant equipment into capital for investment into various branch factories. In the course of continued specialized division of labor, it has returned ownership of 17 punching machines to the No 3 Branch Factory, 114 sets of mechanical processing equipment to the No 4 Branch Factory, and directly invested 150,000 yuan in the No 3 Branch Factory, this gradually turning the various branch factories into specialized production bases. In this way, the overall strength of the group was also strengthened. With the intensive development of the enterprise groups, foreign trade and financial enterprises also begin to take an active part by penetrating into the production enterprises through shareholding. In this way, genuine joint stock companies are set up.

Enterprise groups are developing fairly swiftly and things are looking good. However, their development is hampered by the fact that the present economic structure still falls short of its needs in many respects.

1. In terms of the planning structure. Since most of the enterprise groups are evuivalent to large key enterprises, they should be taken as a planning unit in the state's planned management. In the historical transition from enterprise management by regions and departments to management by central cities, the establishment of a new mode of planned management with enterprise groups as basic planning units should prove a useful attempt. It helps to ensure the fulfillment of the vast amount of tedious balancing and coordinating work, and, with planning based on contracts between enterprises, macroeconomic control with level-by-level balance from bottom to top can be achieved. The present planned management system, particularly that which concerns the management of materials, falls short of development in this regard, so much so that in some groups the burden grows as development gathers speed.

2. In terms of the taxation system. The development of existing enterprise groups in Changzhou no longer just involves products like farm machines and bicycles, but is unfolded in an all-round way to include such trades as textiles, machinebuilding, electronics, light industries, chemical engineering and building materials. Thus, the present scope of the product value added tax stipulated by the state can no longer meet the needs of the development of enterprise groups, and there is an urgent need to fully enforce (on a trial basis) product value added tax in Changzhou City. In the meantime, the power to carry out experimental reforms at selected spots on outmoded tax rates, tax categories, and taxation systems that can no longer meet the needs of the existence and growth of enterprise groups should be handed down to the key cities, so that under the state's macroeconomic control, the key cities can apply the lever of taxation to promote and push forward production based on coordination among specialized departments.

3. In terms of credit management. Judging from the practice of the development of existing enterprise groups in Changzhou City, the increase in the value of famous brands of fine quality and new products since the organization of enterprise groups has exceeded the normal rate of growth. As a result of the doubling and redoubling of output, the amount of raw materials, semiprocessed products, and finished products handled by the enterprises also increases. This calls for a proportional increase in the absolute and relative amounts of circulating funds in order to meet [words indistinct] turnover needs in production. However, the present credit system which manages funds according to administrative levels is extremely unsuitable to the objective needs of the development of enterprise groups characterized by lateral associations and urgently calls for the establishment of a capital market based on cities. Thus, the reform of the present credit management system is imminent.

4. In terms of economic legislation. With the enterprise groups developing in the direction of specialization, diversification and the switch to shareholding, there is a pressing need to strengthen guidance, supervision and control over these groups by legal means. We should therefore legalize the policies, principles, systems, and methods involved in the process of the development of enterprise groups, and define and fix by law and regulations the principles guiding the organization of enterprises groups and the economic relations within the group, so that we have rules and laws to abide by in the event of disputes. In this way, the overall interests of the enterprise group and the partial interests of the member enterprises can be safeguarded and guaranteed. At present, there are many inadequacies in this regard. There is also a lack of effective measures to deal with the wanton termination of agreements and unilateral refusal to execute contracts.

We believe that with the deepgoing development of enterprise groups and the continuous improvement of production relations, a new mode of socialist urban economic management will gradually take shape.

/6662
CSO: 4006/1230

ECONOMIC MANAGEMENT

JOURNAL ON PRODUCT QUALITY, ECONOMIC BENEFITS

HK300645 Beijing JINGJI GUANLI in Chinese No 5, 5 May 86 pp 4-8, 12

["Economic Commentary" by Xie Minggan [6200 2494 1626]: "Switch Attention to the Improvement of Product Quality and Economic Benefits" --edited by Liu Qichang [0491 0366 2490]]

[Text] Comrade Zhao Ziyang pointed out in "Explanations on the Formulation of the Proposed 'Seventh 5-Year Plan'": "Poor product quality and high consumption of materials are the fatal weaknesses of China's economy." He urged all quarters to further direct their attention to the improvement of product quality and economic benefits. This is an important guiding ideology for China's economic work both during the "Seventh 5-Year Plan" period and after.

An Important Strategic Change

During the "Sixth 5-Year Plan" period, an important strategic change in our economic work was the switch in our strategy for economic and social development from a lopsided pursuit of increased output and output value to emphasis on the need for all-round economic, technical, cultural, and social development, with the focus on the achievement of better economic benefits. This transformation, though not yet completed and having already seen some twists and turns, has produced, and is producing, a profound impact on our economic and social development.

--The situation characterized by high accumulation, high growth rate, low efficiency, and slow improvement of living standards, which had come into being under the guidance of the persistent "leftist" ideology, has seen som initial changes, and a new path suited to China's actual conditions and leading to a steady growth rate, better economic benefits, and more tangible benefits for the people is beginning to take shape. The standards of economic guidance and management have also been raised.

--The ratio between the major sectors of the economy is in better balance. During those 5 years, the average ratio between agriculture, light industry, and heavy industry was 32 to 34, that between light industry and heavy industry was 49.6 to 50.4, and accumulation was slightly above 30 percent. This radio is more suited to our present level of economic development and will help maintain the steady and balanced development and benign cycle of our economy.

—Simultaneous growth has been achieved in industrial output value, national income, and revenue, and the national economy has grown much stronger. During those 50 years, industrial output value increased at an average annual rate of 10.6 percent, national income at 9.5 percent, and revenue at 10.7 percent.

—Labor productivity has gone up substantially. During the 5-year period, labor productivity of all personnel in state-owned industrial enterprises rose by about 5.5 percent every year on average, while national income created by laborers increased at an average annual rate of approximately 6 percent.

--Energy consumption has steadily dropped. The amount of energy consumed to turn out every 100 million yuan of industrial output value dropped by about 6.3 percent each year from 80,500 tons in 1980 to around 58,000 tons in 1985. The amount of energy consumed to turn out every 100 million yuan of national income also saw a drop of 20 percent in 1985 compared with 1980. Over the 5-year period, altogether the country saved 120 million tons of standard coal, showing an annual average rate of energy saving of over 5 percent. Thanks to a higher rate of energy utilization, national income rose by more than 20 billion yuan every year on average.

—The circulation of funds has been speeded up. The turnover period of fixed circulating funds has been growing shorter these past years. In 1985, turnover took 100 days, 15 days less than in 1980, which was equivalent to having saved 6 billion yuan.

—The profits and taxes of enterprises have registered fairly big increases, and national revenue has gone up noticable. In 1985, profits and taxes realized by state-owned industrial enterprises covered by the budget increased by 14.3 percent over 1984. Revenue in 1985 was 72 billion yuan more than in 1980, an increase of 2.7 times over the 27 billion yuan increase between 1975 and 1980.

In short, fairly conspicuous improvements have been made in the economic benefits to both society and the enterprises during the "Sixth 5-Year Plan" period. The policy which focuses on the improvement of economic benefits is becoming the guiding ideology and conscious actions of the economic departments, and the previous situation in which "industry reports good news while commerce reports bad news, and the warehouses are overstocked while little revenue is collected" has been changed to a great extent.

The Potential for Improving Economic Benefits Is Still Great

While acknowledging the fairly obvious improvement in economic benefits in recent years, we must also soberly see that economic benefits are still far from perfect, problems still abound, and a lot can still be done in various spheres.

1. At present, consumption of materials accounts for between 80 and 85 percent of industrial production costs, while the comparable figure in the developed countries is between 40 and 50 percent. High consumption of materials pushes up production costs. This is an important reason for the poor economic benefit enterprise and the low level of wages for their worker and staff members. Consumption of materials has been steadily increasing in recent years, its proportion in gross industrial output value rising from 62.9 percent in 1970 to 67.9 percent in 1984, thus cutting back net industrial output value by more than 30 billion yuan. In 1985, the 105 materials consumption indexes on the state statistical list rebounded by 39 percent. Of these, those with comparable records showed an increase of 70 percent over the lowest consumption indexes on record. Problems also abound in the work of energy conservation. According to statistics on key enterprises from the 10 trades of the metallurgical, power, coal, petroleum, chemical engineering, building materials, railroad, communications, and light and textile industries, energy consumption saw increases in 20 our of 48 unit products in 1985, consuming an extra 730,000 tons of standard coal. Increases were also seen in the electricity consumption indexes of 17 out of 26 unit products, equivalent to an over-consumption of 3.25 billion kilowatts of electricity.

2. Although some improvements have been made in product quality over the past 5 years, taken as a whole, the situation dominated by little variety, poor quality, a low technological level, and sluggishness in updating has seen little change. The quality of many products is still not up to state and ministry prescribed standards and lags far behind international standards. At present, international standards and advanced foreign standards are adopted in less than 30 percent of our 7,000 state standards. There are between 300,000 and 400,000 varieties of electrical and mechanical products in the developed countries, and they are developing in the direction of precision, high efficiency, automation, serialization, and energy conservation. In our country, however, there are only about 30,000 varieties, most of which are of low standard, out-moded design, and poor efficiency, and consume relatively high amounts of energy. In 1985, only 26 percent of the products of the machine-building industry were up to the international standards of the late seventies and early eighties, and although the quality standards for the electronics industry, which is new and developing, are relatively high, the figure is only about 30 percent. It takes quite a long time to develop a new industrial product in our country: from at least 3 to 5 years to as long as a dozen or so years. Only about 800 or 900 new electrical and mechanical products are developed each year. In the developed countries, on the other hand, products are by and large updated once every 3 to 50 years, major changes take place every 7 or 8 years, and thousands of new products are developed each year on average. Some of our light and textile products have long been known for their lack of variety, poor quality, monotonous designs, and outdated style. Our packaging industry is particularly backward. Losses incurred from damage, rotting, or theft during loading and unloading, storage, and shipment due to unsuitable packaging amount to over 10 billion yuan a year.

3. Seen in terms of the financial indexes of enterprises, all principal indexes are lagging behind their best records. In 1957, the profit and tax rate of state industrial enterprises which carry out independent accounting was 34.8 yuan. This dropped by 30.5 percent to 24.2 yuan in 1984 chiefly as a result of mismanagement, poor adaptablility, rising costs, and serious deficits. In 1985, the comparable cost of industrial products rose by 6.4 percent, and total deficits of falling enterprises amounted to 2.68 billion yuan, an increase of 16.2 percent over the previous year. The effect of the utilization of fixed assets and circulating funds was also not satisfactory. The value of output realized with every 100 yuan of fixed assets was 139 yuan in 1957, dropping by 30.9 percent to 96.1 yuan in 1984. The amount of circulating funds tied up in order to turn out every 100 yuan of output value, which was registered at 19.4 yuan in 1957, rose by 41.3 percent to 27.4 yuan in 1984.

It should be pointed out that much of the increase in the profits and taxes of enterprises was achieved through raising output and prices and shifting the burden to the consumers rather than through transformation to tap latent potentials and through efforts to raise the levels of production techniques and management. Similarly, much of the increase in national revenue came about as a result of the readjustment and strengthening of taxation work, price adjustments, and the expansion of exports rather than through the efforts of enterprises to increase revenue and cut expenditure. Thus, there is no reason for us to overestimate the economic benefits achieved by the enterprises simply on the grounds of increases in profits and taxes and in national revenue.

4. Even investment in capital construction remains at a low level. During the "Sixth 5-Year Plan" period, the proportion of investment in fixed assets for capital construction projects in state enterprises and institutions was 76.3 percent, as against the best record of 83.6 percent; the rate of completion and commissioning of large and medium-sized projects was 10.9 percent, as against the best record of 15.5 percent; and the rate of completion of housing floor space was 51 percent, as against 65 percent. The average construction period for large and medium-sized projects was between 9 and 10 years, as against 6.5 years during the "First 5-Year Plan" period. Comprehensive investment needed to increase the capacity of each unit rose by between 100 and 300 percent in the heavy industrial sector and by between 30 and 100 percent in the light industrial sector. The cost of housing per square meter also showed an increase of over 30 percent compared with the "Fifth 5-Year Plan" period.

The problems and gaps found in the above-mentioned economic benefits also show that there is tremendous potential for future development. Provided that we thoroughly tap the existing potential, lower the consumption targets, and raise the efficiency and quality targets so that the input of every unit can yield the most and the best output, there will certainly be fundamental changes in economic benefits.

The Key Lies in Firmly Embracing the Guiding Ideology of Focusing on Better Economic Benefits

It has been some years since the slogan of focusing on the achievement of better economic benefits was first put forward, but it is still not fully implemented in all work and all enterprises. While the irrationality of the economic system and structure and the lack of internal driving force and external pressure for enterprises to strive for better economic benefits are partly responsible, the main reason lies in the fact that the concept of focusing our guiding ideology on the improvement of economic benefits has not yet been correctly and firmly embraced. For this reason, it is necessary for us to understand this issue afresh.

1. We must fully under stand that the improvement of economic benefits is an objective requirement of social and economic development. Marx said: "The thoroughness of social development, social enjoyment, and social activities is determined by the economizing of time." ("Outline of a Critique of Political Economy (Draft)," Vol 1, p 112) Material consumption in any society in a given period must be compensated for in material form by an equal quantity of new products before the repetition of social production on the original scale can be guaranteed. In order to lead a better life and carry out scientific, cultural, and other social activities, we must continuously expand social reproduction and build up our wealth. In order to expand reproduction, it is necessary to ensure a surplus in income from work after paying for personal consumption in order that more and better products in the form of materials and more funds in the form of value can be put into the new production process as new production factors. In other words, there must be better economic benefits.

Under socialist conditions, the improvement of the economic benefits of enterprises will enable the state to obtain more revenue, the enterprises to retain more profits, and individuals to earn more income. The improvement of the economic benefits of the whole society will create the conditions for a rich and powerful country and a happy nation. Thus, the improvement of economic benefits conforms with the fundamental objectives of socialist production and is in line with the fundamental interests of the laboring people. The socialist system has turned the laboring people into the masters of enterprises and of the nation, developed relations of mutual cooperation and mutual improvement between people and between enterprises, and made it possible to fully utilize various resources, fully bring into play the enthusiasm of all quarters, and rationally arrange and deploy social labor. Provided that we seize this possibility, make use of these favorable factors, and work hard, we can achieve our goal of achieving better economic benefits.

2. We must fully understand that the improvement of economic benefits is our fundamental way out in resolving the contradictions during the "Seventh 5-Year Plan" period. During this period, we are confronted with the formidable tasks of creating a better environment for reform, preparing the necessary backup for vigorous economic growth in the nineties, and ensuring the continued improvement of the living standards of the people. Many contradictions

and difficulties, such as the shortages of funds, energy, means of transport, certain raw materials, and foreign exchange, still lie in the way of the fulfillment of these tasks. The fundamental way out lies in the improvement of economic benefits.

As the reform deepens and the national economy develops, enterprises will find major changes in their objective environments. The low prices of energy, raw materials, and farm and sideline products will gradually be readjusted; the relatively low wages of workers and staff members will be gradually raised; the sellers' market characterized by the failure to meet demand will gradually be turned into a buyers' market; the technical transformation of the national economy will make it necessary for heavy industry to produce increasingly high-grade, precision, and advanced products; and the improvement in the people's livelihood will make it necessary for light industry to produce better, new, and cheaper products. The practice of "everyone eating from the same big pot" must be thoroughly smashed, and enterprises will no longer be allowed to shun responsibility for losses. There will be much quicker changes in the international market, and competition will grow more intense. This means that enterprises will be faced with ever more rigorous situations, where only the fittest can survive. The strong ones will prevail and the inferior ones will be eliminated. Thus, the fundamental way out lies in the improvement of economic benefits.

Actually, as long as we work in a down-to-earth manner and concentrate our efforts on gradually restoring the major technical and economic targets to their best historical levels, contradictions can be resolved and economic benefits can be markedly improved. For example, if the rate of profits and taxes in industrial enterprises is restored to the level of the "Five 5-Year Plan" period, an additional 30-plus billion yuan can be realized in profits and taxes each year; if consumption of materials in the cost of industrial production is reduced by 5 percent, an additional 13 billion yuan can be obtained in revenue each year; if the amount of circulating funds of enterprises is reduced by 1 percent, it will be possible to save more than 3 billion yuan each year; if the construction period for large and medium-sized projects under construction is shortened by 1 year, it will be possible to cut expenditure by 5 billion yuan and increase profits and taxes by 5 billion yuan. All these will no doubt be of immense significance in the fulfillment of the "Seventh 5-Year Plan" and the realization of the goal of quadrupling the gross industrial and agricultural output value.

3. We must fully understand the need to embrace an all-round and dialectical point of view in improving economic benefits. Comrade Zhao Ziyang pointed out: "In stressing economic benefits, we must first of all have a clear idea of one major concept, that is, we must strive to produce more products that meet social needs with the least consumption of animate labor and materials." In other words, under China's socialist conditions, we must take into consideration the three aspects of meeting social needs, consuming as little labor as possible, and producing as much return on labor as possible when stressing economic benefits. These three aspects form an organic entity.

Meeting social needs is the qualitative criterion of socialist economic benefits; it is the prerequisite. Consuming less and producing more is the quantitative requirement of economic benefits. In order to fulfill in an all-round manner the requirements of these three aspects, we must persist in achieving the following six integrations in our work:

First, we must integrate speed with benefits. The speed we want is speed backed by given economic benefits, that is, speed based on good quality, low consumption, and accord with social needs. Speed associated with poor product quality, costs that exceed necessary labor consumption, and the absence of a market is spurious. The higher such speed, the greater the waste of materials and the graver the damage done to social productivity. The kind of economic benefits we want is economic benefits backed by proper speed. A lack of speed or too low a speed is not conducive to the full utilization of resources, the increase of state revenue, and the improvement of the people's livelihood. Under the prerequisite of meeting social needs and reducing labor consumption, and increase in the quantity of products means an improvement in economic benefits and an increase in speed. There are sometimes contradictions between speed and benefits. The principal aspect of the contradictions lies in benefits because speed, after all, is subject to the benefits produced. Without an improvement in benefits, speed will render our efforts wasted, for even if we manage to push the figures up for the time being, they are bound to drop eventually. If [word indistinct] able to improve the benefits, it means that the speed is proper now and will increase sooner or later.

Second, we must integrate macroeconomic benefits with microeconomic benefits. Macroeconomic benefits apply to the whole society and refer to the effective distribution and utilization of manpower, technology, natural resources, funds, and assets, the coordinated progress of the processes of production, circulation, distribution, and consumption, the proportionate and planned development of the national economy, and the creation of maximum material wealth on the basis of a given level of productivity, a good ecological environment, and the rational protection and exploitation of resources. Microeconomic benefits apply to specific production operators and refer to the rational utilization and exploitation of production factors, the effective management of production qnd operation, the coordination of internal and external relations, and the attainment of the goal of less input for more output. Microeconomic benefits constitute the basis of macroeconomic benefits. In order to achieve better economic benefits, we must pay attention to the microeconomy, that is, concentrate our efforts on improving the quality of enterprises, tapping the existing potential of enterprises, and improving the economic benefits of enterprises. At the same time, we must adopt an overall point of view, subject and tailor the improvement of the economic benefits of enterprises to the requirements of the improvement of socio-economic benefits, and develop the enterprises while ensuring increased state revenue, promoting technological progress, carrying out rational distribution of the productive forces, and making rational use of resources.

Third, we must integrate quantity with quality. Quantity and quality are inseparable. Without quantity there naturally cannot be any quality to speak of, and quantity without a given quality does not have any meaning. Marx said: "Regardless of the social form of wealth, use value always constitutes the material content of wealth." "If something is useless, then the labor contained in its is also useless. It cannot be considered as labor and therefore does not constitute value." ("Das Kapital," Vol 1, pp 48, 54) In other words, substandard products cannot provide use value and value, do not constitute social wealth, cannot be included in output value, and therefore have nothing to do with either speed or benefits. We must at all times uphold the principle of "quality first" and strive to increase output on the basis of ensuring product quality and marketability.

Fourth, we must integrate production with circulation. Sluggish sales and overstocking resulting from the unmarketability of products and the clogging of circulation channels is a common phenomenon. As far as the producing enterprises are concerned, they have contributed their share of output and output value and increased the rate of growth; but, as far as society is concerned, the process of reproduction has still not been completed, the value and use value they have created have not yet been realized, and therefore there is no real speed and benefits to speak of. When there is overstocking, not only will it be impossible for capital output to increase its own value and thereby obtain the necessary compensation, but the units concerned will also have to shoulder the expenses and losses incurred. If this goes on, production cannot continue. Thus, economic departments must persist in grasping both production and circulation, constantly release information, unclog the channels of circulation, reduce the links of circulation, and run urban and rural markets well. Enterprises must persist in grasping both production and operation, strengthen market research, increase the production of brand-name products, quality products, and products in short supply, speed up the updating of products, and strive to expand sales and eliminate overstocking.

Fifth, we must integrate increasing production with practicing economy. In stressing economic benefits, we not only must strive to produce more products that society needs, but must do our best to cut down expenses, reduce consumption, and lower costs. Increasing production and practicing economy must be integrated. If, as a result of increasing production, consumption and cost per unit product go up, or if the practice of economy leads to a big drop in production or quality, there just cannot be good economic benefits. One of our important tasks is to strive to reduce consumption and put into practice the policy of increasing production while practicing economy and increasing revenue while cutting expenditure.

Sixth, we must integrate the development of production with technological advancement. Technological backwardness is an important reason for our poor economic benefits. Thus, while continuously putting in new and advanced production factors, we must strive to speed up the modernization and transformation of existing production factors, putting the emphasis on the latter. Only by vigorously grasping the technological advancement of existing enterprises can we truly achieve the objective of turning out more and achieving good benefits with little input within a short period of time. We cannot promote the technological advancement of the whole society at a fairly fast pace by simply relying on reproduction with the help of outside factors. The technical transformation of existing enterprises means reconstruction of existing productive capacity. It continuously replaces old technologies with new ones and reduces the technological gap between projects commissioned at different periods. Therefore, it can continuously push forward the technological advancement of the whole society and improve the economic benefits of the whole society.

The Basis of Improved Economic Benefits Is Improved Quality of Products

In order to improve economic benefits, we must exert ourselves in more than one way. The entire task has to be grasped at three levels: At the macroeconomic level, chiefly speaking the departments responsible for the overall economy must correctly formulate economic decisions, strengthen overall balance, readjust the economic structure, and do a good job of the structural reform. At the intermediary level, chiefly speaking the relevant departments at the central and provincial, district, and city levels must strengthen management of their respective trades, formulate development programs in a scientific manner, rationally organize coordination among specialized departments and economic associations, and carry out technical transformation in a planned way. At the microeconomic level, the main task is to improve the quality of enterprises, including the quality of their management, techniques, and personnel. As far as the enterprises are concerned, the focus of work should be put on the improvement of product quality and the reduction of consumption of materials. This is the basis of improved economic benefits.

1. We must steadfastly put quality above everything else in our actual work. The "Seventh 5-Year Plan" calls for efforts to upgrade the function and quality of about half of our important industrial goods to the level of developed countries in the late seventies and early eighties. This task is of immensely important strategic significance because it has a vital bearing on the provision of different kinds of advanced and dependable technical equipment for a vast number of newly built enterprises and existing enterprises requiring technical transformation, on the competitiveness of Chinese products in international markets, and on the satisfaction of the growing and diversified consumption demands of the masses. We may even say that it is an important issue that has a vital bearing on the four modernizations. While excessively great total demand and the absence of a buyers' market are party responsible, the main reason for the lack of fundamental change in the qualitative backwardness of our industrial goods is that the management does not attach very much attention to quality and has not persisted in putting quality above everything else. It should be clearly pointed out that substandard production is production wasted, and labor which has no regard for quality is ineffective, both of which can only harm the state, the enterprises, and the people. Thus, every reform measure and aspect of economic work must be conductive to the improvement of product quality and all enterprises that turn out "fake, imitation, substandard, and inferior" products must be dealt with severely.

2. We must strengthen macroeconomic control and supervision over product quality. To begin with, we must strengthen legislative and judicial work in respect of quality control, pay close attention to the formulation and perfection of quality control laws and regulations, resolutely put an end to the phenomena of laws not being strictly observed and enforced and law breakers going unpunished, and mercilessly punish those who violate laws and discipline and jeopardize the people's health and national interests. The "five prohibitions" promulgated by the State Economic Commission (these refer to: 1) substandard products are prohibited from leaving the factory and are not to be included in the factory's output and output value; 2) substandard raw and semiprocessed materials and parts and components are prohibited from being used in production or assembled; 3) products officially declared obsolete are prohibited from being produced or sold; 4) products without corresponding quality control standards, quality examination agencies, or quality examination and testing means are prohibited from being produced; and 5) acts of fraud, passing off substandard products as good ones, forging trademarks, and counterfeiting famous brands are prohibited) and the system of replacement and compensation for substandard products are important measures for guaranteeing product quality. They should be incorporated into the economic laws and regulations, vested with legal power, and strictly enforced. Second, we must turn the system of state supervised sampling into a regular practice. Sampling organized by the State Economic Commission to check the quality of manufactured goods, which features surprise tactics (because no notice is given in advance), flexibility (since sampling may be done at the counter, warehouse, or production line) and measures of compulsion (because units turning out substandard goods will be compelled to cease production and carry out overhauling), has produced good effects and produced a great impact on the enterprises. It should be further perfected and introduced into the transport, construction, farm and sideline product trading, catering, and service trades. Third, we must step up the implementation of the production licensing system. Production licenses should be issued to important products that meet the quality standards specified by the state. Those not up to standard shall be denied such licenses and prohibited from production. At the same time, support should be given in terms [words indistinct], raw and semiprocessed materials, transport, loans, foreign exchange, and so on to the production of famous brands of good quality. Fourth, we must set up, from the top level down, a complete system of quality examination, supervision, and control, and strictly enforce this system by organizing a group of experts to do the job. Fifth, we must make use of economic levers to foster good quality and suppress inferior products.

3. We must persevere in all-round quality control. In the past few years, enterprises in various places have been experimenting with all-round quality control and have achieved notable results in this work. This shows that all-round quality control is a fundamental measure for solving the quality problem and should be gradually extended to all enterprises, including those run by townships and towns. In implementing this measure, we must first take care of the "all-round" aspect by setting up a quality guarantee and responsibility system, from the designing of products to the formulation of technological processes, from the input of raw and semiprocessed materials and

supporting parts to the shipment of manufactured goods, from parts and components to the main machines, from the purchasing of materials to sales promotion. Second, we must make earnest efforts to strengthen various aspects of foundation work, such as formulating new technical standards, improving the means of measurement and testing, making perfect the technological regulations, strictly enforcing labor discipline, persevering in equipment maintenance, and doing a good job of keeping original records and statistics. Third, we must link the economic interests and political honor of enterprises and of workers and staff members with product quality, and ensure that quality targets play a part in the allocation of bonuses. Fourth, we must be strict and not the least big negligent, mete out rewards and punishments fairly, and oppose improvisation and formalism.

4. We must closely combine quality control with technological advancement. Fundamentally speaking, quality improvement depends on technological advancement. Thus, we must devote major efforts to promoting the application of new designs, materials, equipment, and techniques and to developing new products in order to upgrade the quality of products. This requires that we quicken the tempo of importing technology, tackling scientific and technological problems, updating equipment, and reforming techniques. This also requires that enterprises persist in tailoring their technological improvements to the needs of new products so that the successful tackling of every scientific and technological problem, the importation of every item of advanced technology, and the introduction of every updating project can bring about a change in the variety and quality of products.

/6662
CSO: 4006/1230

HUNAN GOVERNMENT ENCOURAGES EXPORTS PRODUCTION

HK061258 Changsha Hunan Provincial Service in Mandarin 2200 GMT 5 May 86

[Text] The provincial people's government made a decision on 2 May on encouraging production of export products, expanding export business, and earning more foreign exchange.

The decision reads: In order to verify quarterly allocation of foreign exchange retained by enterprises, the provincial foreign economic commission will figure out in the first month of each quarter the foreign exchange amount retained by each enterprise in the preceding quarter. The provincial foreign exchange control bureau and its sub-bureaus will then allocate the foreign exchange amount to each enterprise in the middle of the month. No level is allowed to withhold the foreign exchange retained by enterprises.

The decision reads: In addition to the awards given to enterprises producing export products as stipulated in the relevant regulations formulated by the State Council, the provincial government will increase awards to the enterprises for export products in excess of their targets. An enterprise will be awarded 10 jiao for the excess of every $1 of export products as after-tax profit retained by itself. This method will not be changed for 3 years. In addition to the tax-free bonus of 1 month's salary awarded to the staff members and workers as stipulated by the State Council, a bonus of 1 month's salary will be awarded to the staff members and workers in enterprises that increase their foreign exchange income by 10 to 20 percent over the previous year and a bonus of one and one half month's salary will be awarded to the staff members and workers in enterprises that increase their foreign exchange income by more than 20 percent over the previous year. All these bonuses are tax free.

The decision reads: In addition to the regulations stipulated by the state on rewarding bonuses to foreign trade enterprises, the provincial people's government will give more awards to enterprises for the part of foreign exchange in excess of last year's base. A foreign trade enterprise will be awarded two fen for the excess of every $1 foreign exchange as its after-tax profit. This method will not be changed for 3 years. The bonuses awarded to the staff members and workers of the enterprise will also be increased by proportion.

/8309
CSO: 4006/1233

JINGJI RIBAO ON CHANGES ON OWNERSHIP

HK101141 Beijing JINGJI RIBAO in Chinese 30 Jun 86 p 2

[Article by Yang Lixin [2977 0500 2450]: "The Characterisitcs, Trend, and Significance of the Changes of Ownership in Our Country Over the Past Years"--passages within slantlines published in boldface]

[Text] /Characteristics: The unitary public ownership structure has been turned into a structure that stresses public ownership but allows the common development of various economic components. Trend: The multipolarization of the components of the whole structure. The change of the internal form of the various components of ownership; the combination of all the components of ownership. Significance: The theoretical and realistic negation of the past right economy on the one hand, and the embodiment of a strong call for a new type of relations of production by the social productive forces./

During the Sixth 5-Year Plan period, great changes took place in the ownership of the means of production of our country. However, as far as the whole situation is concerned, no changes took place in the basic quality of the structure of ownership, which is still socialist public ownership. However, we carried out a large-scale readjustment and reform of the internal structure and specific forms of the structure of ownership. On this basis, and because of the role of the internal force of the commodity economy, there have been some self-conscious changes taking place in the structure of ownership. These [word indistinct] boiled down to: The basically unitary public ownership structure has been turned into a structure that stresses socialist public ownership but allows the common development of various economic components and management methods.

Although the contents and forms of this transformation vary, we can still see its three basic trends:

1. The multipolarization of the components of the whole structure. The transformation from the basically unitary structure characterized by ownership by the whole people and collective ownership into the multipolar structure characterized by the coexistence and common development of various components of ownership. During the Sixth 5-Year Plan period, while allowing the continued development and maintaining the guiding position of the economy under the ownership of the whole people, we enabled a greater development of the

economy and individual economy in the urban and rural areas by adopting guidance and encouragement policies. In the meantime, as a result of the implementation of the policy of opening up to world and actively inviting foreign capital, by the end of 1985, the number of foreign-invested enterprises registered with the administrative departments of industry and commerce had reached 5,432.

From 1980 to 1985, the proportion of people employed by enterprises under collective ownership in the total working population employed in the cities and towns rose from 23 percent to 26.9 percent, while the proportion of people employed by individually owned enterprises rose from 0.8 percent to 3.6 percent. By the end of 1985, there had been 11.68 million licensed and individually owned industrial and commercial enterprises which employed 17.56 million people in the urban and rural areas. At present, there are 4.25 million specialized households in the rural areas.

As far as the results of production and management are concerned, in the 5 years from 1980 to 1985, the proportion of output value of collectively owned enterprises in the total industrial output value rose from 20.7 percent to 28.1 percent, while the individually owned enterprises grew out of nothing and the proportion of the output value of the individually owned enterprises now accounts for 1.24 percent of the total industrial output value. The collective economy and individual economy mainly developed in the tertiary industry. From 1980 to 1985, the proportion of the turnover of collectively owned enterprises in the total volume of retail sales of social commodities rose from 12.1 percent to 36.7 percent, while the proportion of the turnover of individually owned enterprises rose from 0.7 percent to 15.7 percent.

From this situation, we can see that after several years of reform and opening up to the world, our country's current ownership consists of ownership by the whole people, collective ownership, petty private economy, and various other economic components. The multipolar structure of the ownership has already been formed. In the Seventh 5-Year Plan period, we should particularly develop the collective economy and the individual economy, and our speed of inviting foreign funds should also be accelerated.

2. Transformation of the components and forms of ownership: The various components of ownership (except salaries) have, to a certain extent, been transformed into other components; what is more, changes have also taken place in the various specific forms of ownership. This situation can be seen in the fact that some enterprises under the ownership of the whole people have issued shares to their workers to raise funds; some collectively owned economic units that were inappropriately "promoted" to become units under the ownership by the whole people in the past have now been turned back into their original form; quite a number of collective economies have become share-based economies; the ownership and management power of enterprises under the ownership by the whole people have been separated to a certain degree; the small-scale state-owned enterprises have been let out or contracted for management; the system of contracted responsibilities with payment linked to output has been implemented in the rural areas. It is noteworthy that along with the development of production technology and commodity economy, apart from the new trend of combination, a batch of privately owned enterprises has also emerged in the individual economy of the urban and rural areas.

This transformation has been caused by various factors: First is the correction of past unrealistic concepts and methods; second is the internal demand for invigoration of the microeconomy and control of the macroeconomy; third is the result of the development of the commodity economy. At present, the separation of the ownership and the management power of the enterprises has just begun, and the combination of individual economies and the individually owned enterprises have both only existed for a short period of time. Therefore, the transformation will continue, especially the transformation of the forms of the economy under the ownership by the whole people and the forms of the collective economy. The development of the share-based enterprises will become a general trend.

3. The combination of various components of the ownership. On the basis of the multipolarization of the components of the ownership and the transformation of the various components, new components have merged in the [word indistinct] the ownership after the reorganization of the structure of ownership. The new components are the economic combines jointly formed by various economic components. The model form of the economic combines is that enterprises that originally belonged to different types of ownership now make combined investment and carry out cooperative management. As far as the horizontal economic combines that are developing very fast at present are concerned, there are different components in their ownership such as: The combination of ownership by the whole people and collective ownership; the combination of ownership by the whole people and individual ownership; the combination of collective ownership and individual ownership; the combination of ownership by the whole people, collective ownership, and individual ownership; and the combination of enterprises under the same ownerhsip under different departments and in different regions; and even the combination of individual ownership and foreign capital.

The present situation of the economic combines has to a great extent made the former division of the components of ownership no longer appropriate. The development of the horizontal economic combines is now pounding at the set patterns of departmentalization and has exposed the conservativeness of the "three unchangeable principles." Therefore, the development of the economic combines demands through reforms of the old administrative structure built on the basis of the old ownership in order to suit the new structure of ownership and the new basis of economic organizations and promote the further development of the socialist commodity economy.

Combination of the components of ownership is the basic characteristic of the transformation of ownership is the basic characteristic of the tranformation of ownership in recent years and is also the trend of further development of ownership. We can see: To break through the boundary of the original ownership and old administrative patterns, organize the productive forces according to the demand of the objective economic law, and rationally rearrange the economic resources are the internal demand of the socialized big production and the commodity economy and are also one of the basic contents of the reform of the ecnomic administrative structure, which is aimed at meeting the needs of and pushing forward with the development of the social productive forces. So, the rational economic combination of the economic components under different ownerships is the natural demand and basic trend of the further development of the commodity economy and the reform of the economic structure.

After taking into consideration the overall situation of the new development, we have come to the following understanding:

To carry out the reform of ownership in the Sixth 5-Year Plan period is to earnestly develop the social productive forces and build socialism is a down-to-earth manner and fundamentally negate the past practice of rigidly and unrealistically implementing the principle of "being larger in size and having a higher degree of public ownership," thus embodying our strategic goal of accelerating economic development, improving the people's living standard, and catching up with or even surpassing the advanced international standard.

The transformation of ownership in the Sixth 5-Year Plan period is the inevitable result of the reform of "invigorating the domestic economy and opening up to the world." To carry out a fundamental reform of the original economic structure will inevitably touch on the ownership of the means of production. So, the transformation of ownership has embodied the profoundness, systematicness, and arduousness of the present reform.

The reform and transformation of ownership has a twofold significance: On the one hand, since the reform and transformation of ownership is the realistic negation of the past simple and ideological theories and methods, it will inevitably stimulate the vigor of workers and enterprises, release the existing productive forces, and reduce the pressure of the population and unemployment and enhance the role of the social services; on the other hand, the reform and transformation of ownership also positively embodies the new demand of the further development of the social productive forces and the further increase of the social economic results on the relations of production.

/8918
CSO: 4006/1191

YUNNAN MEETING ON COLLECTIVE ECONOMY

HK111444 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 10 Jul 86

[Excerpts] From 5 to 9 July, the Provincial People's Government held an on-the-spot meeting in Yuxi, on the urban and rural collective economy. The aims of the meeting were to seek unity of thinking, to deepen people's understanding, to draw demarcation lines, to implement policies, to enhance people's vigor, and to take measures to vigorously develop the urban and rural collective economy.

The meeting believed that during the Sixth 5-Year Plan, the province's urban and rural collective economy, township enterprises in particular, began to develop rapidly. The total output value of the province's collective industry for 1985 amounted to 2.17 billion yuan, an increase of 130 percent over 1980. The total income of the province's township enterprises for 1985 was 2.86 billion yuan, an increase of more than 200 percent over 1980. This has not only promoted the readjustment of the rural production structure, but has also boosted the rural economy. Some peasants have become rich by running township enterprises.

The meeting pointed out that the province has made great developments in the urban and rural collective economy, but it is only in the initial stage. Compared to the abundant natural resources in the province, this is far from satisfactory. Township enterprises in most counties and cities have a poor foundation, their output value is small, and their development is uneven. We must seriously sum up experience [word indistinct] no time, and take effective measures to solve the existing problems and to further promote continues and steady development in the collective economy.

The meeting pointed out emphatically, that in developing the urban and rural collective economy, we must adhere to the road of doing everything according to local conditions, seeking truth from facts, and giving play to our strong points while avoiding our weak points, and we must implement the principle of actively supporting and vigorously developing the collective economy.

The meeting demanded that all areas and departments concerned earnestly implement the relevant policies and regulations of the Provincial CPC Committee and people's government on developing the urban and rural economy.

They must not refuse to implement the policies and regulations merely because of a failure to reach ideological unanimity in some departments.

Governor He Zhiqiang spoke and Vice Governor Zhu Kui delivered a report at the meeting.

/8918
CSO: 4006/1191

WUHAN ADVISORY COMMITTEE HAS DECISION-MAKING POWER

OW110651 Beijing XINHUA in English 0620 GMT 11 Jul 86

["Think-tank Shares Decision-making Power"--XINHUA headline]

[Text] Wuhan, July 11 (XINHUA)--A project to widen a bridge over the Hanshui River in the center of Wuhan, a busy section in the capital of Hubei Province, was vetoed by a group of advisers to the municipal government before the construction was launched on July 1.

Wuhan is composed of three parts, namely Hankou, Hanyang and Wuchang, which are divided by the Yangtze and Hanshui Rivers.

With the city's economic and social development, a highway bridge linking Hankou and Hanyang has often become a center of traffic jams. The construction department decided to expand the bridge and add overpasses on both banks.

But the plan was turned down by the Advisory Committee of the municipal government which considered it an expensive project with little benefit after they conducted an overall investigation.

Instead, they suggested the construction of a new bridge. Their idea was soon accepted by the municipal government. This is one of the administrative reforms of the city government to give its consultants veto powers, according to an official from the municipal authorities.

During the past 3 years, the Advisory Committee has become an important think-tank of the municipal government. The city officials first consult the experts of the committee before starting every major project.

Two years ago the committee produced a program for an overall development of the city which aimed at overcoming two big problems--commodity circulation and transportation. The idea soon became a common target of the whole city.

Experts of the committee toured disorganized and backward enterprises in the city to help improve production and management. It found that the products of the Wuhan washing machine factory suffered from unstable quality and high cost, because it had to use spare parts supplied by other factories which were not under its control.

The experts advised the city government to let the washing machine factory [to] select its own partners through bidding.

Despite objections from some other factories and departments, the municipal leaders adopted this idea which also solved similar problems for other factories.

As a result, more enterprises felt the pressure under the new system. They began to make efforts to turn out competitive products to meet the growing needs of the markets.

Advisers also made suggestions on the management system in transport, wholesale markets, finance and foreign trade.

Three research bases on laser beams, optical fibers and biotechnology have been set up near the east lake in the southern suburbs in response to the call of the Advisory Committee for developing this area, which is surrounded by colleges and research institutes.

Liu Daoyu, president of Wuhan University and chairman of the Advisory Committee, said that though the educational level of new leaders in the city has improved, they still have to rely on the think-tanks, which serve in turn as a channel for intellectuals to turn their knowledge into productivity.

/8918
CSO: 4020/388

ECONOMIC MANAGEMENT

GUIZHOU'S LESS-DEVELOPED AREAS TO RECEIVE AID

OW131511 Beijing XINHUA in English 1430 GMT 13 Jul 86

[Text] Guiyang, July 13 (XINHUA)--Southwest China's Guizhou province has allocated more funds and provided more techniques and goods this year to its 26 less-developed counties inhabited by ethnic minority people.

An official of the provincial rural economy commission told XINHUA that in order to help these ethnic minority people to get rid of poverty, the provincial government has so far earmarked more than 133 million yuan for developing economy in these counties. The amount was bigger than any appropriated in the previous years, he said.

People of a dozen minority nationalities in the province, including those of Miao, Dong, Yi and Bouyei nationalities, make up 26 percent of its population. They now live in nearly two thirds of Guizhou's areas, mostly in remote areas where transportation and education conditions are poor.

These allocations will be used in 110 industrial and 150 agricultural projects which are expected to yield early economic returns, according to the official.

He noted that in addition to fund supply, the provincial government this year has also sent nearly 10,000 agrotechnicians and skilled owrkers to these areas to offer advices and techniques useful in farming and mining.

Some 89,842 households in local minority regions have received funds and techniques for crop growing and the raising of domestic animals and poultry.

Since early this year, about 3,600 officials from provincial departments have been dispatched to remote, mountainous areas to help tackle problems in production.

The official added that agricultural taxes for the underdeveloped areas would be reduced or exempted. Such aid has proved to be successful in Taijiang County inhabited by the people of Miao nationality in southeastern Guizhou. With the two million yuan of funds raised by the Provincial Rural Economy Commission early this year, the region entered into a power grid, and the new supply of electricity has made it possible for the county to set up a marble processing factory, a plywood factory and a wood shuttle factory. As a result, the output value of these factories are expected to reach eight million yuan annually, according to the commission.

/8918

CSO: 4020/388

MEETING ON SOUTHWESTERN ECONOMY ENDS 12 JUL

HK140841 Lhasa Xizang Regional Service in Mandarin 1130 GMT 13 Jul 86

[Text] On 12 July, Lhasa concluded the fifth theoretical discussion on goods, materials, and the economy of the southwestern region. At the 8-day meeting, over 150 representatives of Yunnan, Guizhou, Sichuan Xizang and other provinces and regions discussed in depth theoretical issues concerning goods, materials and economy. They also made a gratifying achievement in developing the lateral economic links.

Puqung, vice chairman of the regional people's government; Wang Guangxi, secretary general of the regional people's government; Gu Jinnan, leading party group secretary of the regional economic planning commission; and Xiang Yang, chairman of the regional economic planning commission, attended the closing ceremony. At the ceremony, (Hu Jumin), secretary general of the China Association for Goods, Materials and Economy; Xiang Yang, chairman of the regional economic planning commission; and representatives of Yunnan, Guizhou and Sichuan made speeches.

(Sun Qiwen), deputy chief of the regional bureau for goods and materials and deputy head of board of directors of the regional association for goods, materials and economy, delivered the closing speech.

The meeting received a total of some 80 academic these concerning such topics as theory of materials and economy, management of goods and materials, the establishment and perfection of the market for means of production, the development of lateral economic links and so on. These theses discussed a wide range of topics in an in-depth manner, and are therefore a rich theoretical source for our work of studying and strengthening the structural reform of goods and materials management in future.

During the meeting, the region's bureau of goods and its Sichuan counterpart followed the principle of integrating theory with practice, and reached an agreement on training, information, and technological exchange. The region's metal, capital construction, chemical and building materials companies also reached agreements with Sichuan, Yunnan and Guizhou provinces' corresponding companies on cooperation and joint venture.

/8918
CSO: 4006/1191

COMMENTARY ON MEETING ANNUAL REVENUE PLAN

HK151336 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 14 Jul 86

[Station commentary: "Firmly Grasp Financial Revenue, Fulfill the Annual Plan"]

[Text] The current economic situation in the province is good. Despite shortages of raw materials and power supply, the province's industrial production has maintained continuous and steady growth. A bumper harvest is expected in summer grain. Both urban and rural markets are brisk. Commodity circulation is expanding. All this has laid a good material foundation for us to fulfill the annual financial revenue plan. However, some problems still merit our attention. The main problems are: The comparable costs of enterprises have increased; some products are overstocked, resulting in shortage [words indistinct] funds; and tax evasion and delay of tax payments are very serious in some enterprises. If we fail to properly solve these problems, it will be difficult to fulfill the province's annual financial revenue plan. We must realize that the shortage of raw materials, power supply, and funds will continue in the second half of this year. In particular, the accumulated water in the Nongyangxia reservoir in the upper reach of the Huanghe may seriously affect the province's industrial and agricultural production. Therefore, we must seize the current favorable opportunity to try every means to increase production and income. Economic management departments at all levels must change their style, go deep into the grassroots, help enterprises resolve practical problems, and try every means to enliven enterprises, circulation, and funds, so as to create good external conditions for normal production and business operations of enterprises. By starting from reform of business operation, enterprises must also upgrade the quality of their products, cut consumption, expand sales, and counteract the effect of increases in the prices of raw materials within enterprise.

Financial and tax departments at all levels must take effective measures to strengthen management of tax collection, plug all loopholes, check tax evasion, and collect all monies that should be colected. While properly collecting revenues, they must pay serious attention to expenditures. They must properly control and use the funds for special items and must strictly control non-production expenses.

This is the first year of the Seventh 5-Year Plan. Fulfilling this year's financial revenue plan will be of great importance to a balance of the province's revenue and expenditure; to continuous, steady, and coordinated economic development in the province; and to smooth progress of the reform of the economic structure in the province. We must proceed from the overall situation, properly carry out our own work, and fulfill and overfulfill this year's financial revenue plan.

/8918
CSO: 4006/1191

ECONOMIC MANAGEMENT

SICHUAN MEETING DISCUSSES FINANCE, TRADE

HK190543 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 18 Jul 86

[Excerpts] A 5-day provincial finance and trade work conference concluded in Chengdu on 18 July. Vice Governor Xie Shijie spoke at the conclusion of the meeting. He discussed the situation and tasks in finance and trade and the adoption of measures to solve current problems. He also called on government at all levels to strengthen leadership over finance and trade work.

The meeting stressed that to fulfill the province's economic development plans for this year, it is extremely important to do a good job in work in the next few months. The finance and trade departments must get a good grasp of the following tasks in the second half of the year:

1. Vigorously push the sales of local industrial products and open up a sellers' market;

2. Do a good job in organizing the purchase of agricultural and sideline products during the busy season;

3. Seize the favorable chance to vigorously expand foreign trade and exports;

4. Strive to increase revenue and economize in expenditure;

5. Further improve financial management and make proper and lively use of capital;

6. Step up ideological and political work, improve the quality and attitude of service, and correct sectoral malpractices.

During the meeting, Governor Jiang Minkuan spoke on the importance of doing a good job in finance and trade work and on measures for doing so.

/8309
CSO: 4006/1233

ECONOMIC MANAGEMENT

QINGHAI MEETING URGES IMPROVED ECONOMIC RESULTS

HK190245 Xining Qinghai Provincial Service in Mandarin 2230 GMT 18 Jul 86

[Excerpts] A provincial meeting on industry and communications has proposed that big efforts be made in the second half of the year to resolve the problem of poor economic results. It is also necessary to organize production with care and strive to fulfill 80 percent of the year's plan by the end of the third quarter.

Vice Governor Wu Chengzhi pointed out at the meeting that industrial products are currently stockpiled to a serious degree in the province. This has a direct impact on production growth. It is therefore necessary to ship industrial goods to the countryside, expand the markets in rural and pastoral areas, and keep clear the sales channels in the urban and rural areas.

During the meeting, the provincial finance and economic commission called for a focus on resolving problems of quality in motor vehicles and woolen textiles in the second half of the year. The material supply, banking, railroad and other departments should cooperate closely to solve problems and difficulties for the enterprises.

We must take into account that when, beginning in October, water storage work is in progress at the Longyangxia hydroelectric station, Qinghai will be short of 500,000 kilowatt hours of electric power each day. In view of this, the enterprises must bring forward their tasks as much as possible, improve production organization, and get a good grasp of production in the third quarter. We should ensure that the province's industrial output value reaches 190 million yuan a month in the second half of the year.

/8309
CSO: 4006/1233

HE KANG SPEAKS ON XINJIANG'S ECONOMIC DEVELOPMENT

HK290801 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 27 Jul 86

[Text] On 26 July, at the regional conference on speeding up economic development in northern Xinjiang pastoral areas, He Kang, minister of agriculture, animal husbandry, and fishery, pointed out in his speech: Xinjiang has good resources and a good foundation for developing animal husbandry. It must give full play to its advantages, speed up the economic development of animal husbandry, and build the region into China's first-class and modern animal husbandry base, so as to make greater contributions to the state.

Minister He Kang said: In order to speed up the animal husbandry economy, the region must attach importance to the principle of focusing on animal husbandry, and integrating agriculture with animal husbandry. It must replace the practice of rearing animals by depending on the weather with the practice of relying on science and technology. It must develop from a closed-type, self-reliant economy into a commodity economy, and change its nomadic production mode into the mode of producing at a fixed or semifixed base. It must diversify its single-product operation and replace the practice of herding livestock via somebody else with the practice of herding the livestock personally.

He Kang put forward 10 proposals on developing Xinjiang's economy:

First, it should change its traditional concepts, and actively create conditions for herdsmen engaging in production at fixed or semifixed bases.

Second, it should focus the construction of pastoral areas on such basic facilities as water supply, grazing land, sheds, and so on. The outstanding issue at present is the rational use of and protecting well, the existing grassland.

Third, it should actively implement the law on grassland, and further perfect the contracted responsibility system in grazing.

Fourth, it should integrate agriculture with animal husbandry, and develop lateral economic ties. It should advocate a diversified integration of agriculture and husbandry. By using local advantages, the pastoral areas should graze and butcher livestock within the same year, so as to increase the percentage of marketable products. The region should also encourage lateral economic ties among livestock product processing enterprises, industrial and mining areas, cities, and raw materials production areas.

Fifth, it should strengthen investment in the intellectual resources of the pastoral areas, train, on a large-scale, scientific and technological personnel for animal husbandry, and improve the scientific and technological knowledge of peasants.

Sixth, it should strengthen the construction of animal husbandry's social service system, and promote the development of commodity economy.

Seventh, it should keep the circulation channels clear for livestock products, and gradually rationalize the prices of livestock products. In particular, it should focus on breaking regional boundaries.

Eighth, it should increase its investment in animal husbandry, do well by stages in building the pastoral areas, and gradually improve the production conditions of the areas.

Ninth, it should actively give play to the role of the production and construction corps, which must provide improved breeds and technology for the region's development of animal husbandry, must formulate plans for building the grazing land, and must promote the development of local animal husbandry through economic ties.

Tenth, it should do well in helping the poor, and help the poor peasants solve food and clothing problems, as well as helping them quickly take the road toward getting rich.

/8309
CSO: 4006/1233

PARTICIPATION IN CLASSIFICATION NOTED

HK301117 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 29 Jul 86

[Excerpt] According to HENAN RIBAO, in the future, some 17,000 enterprises in the province will implement the system of striving to participate in classification. Striving to participate in classification means that enterprises should strive to be ranked as national special-grade, grade-1 or grade-2 enterprises or provincial advanced enterprises. Provincial advanced enterprises are divided into provincial grade-1 and grade-2 enterprises.

At the provincial enterprise management conference which ended on 27 July in Luoyang, Governor He Zhukang and Vice Governor Qin Kecai delivered speeches.

They said that the problem of inferior quality products, high consumption, serious waste, and poor economic results is a major problem in the province's current industrial production. The main measures to solve this problem in the future is to grasp escalation of enterprises' ranking. This is a long-term strategic task for improving business management of enterprises.

The conference stressed that the most important task in the next stage is that all departments in charge must set before the end of this year specific requirements for provincial grade-1 and grade-2 advanced enterprises according to different trades, work out plans for enterprises to join classification, and formulate detailed rules for carrying out the plans.

/8309
CSO: 4006/1233

BRIEFS

PROBLEMS IN ENTERPRISES SOLVED--Tomur Dawamat, deputy secretary of the regional CPC Committee and chairman of the regional government, recently went to inspect work and solve problems in the Xinjiang Iron and Steel Company and the Xinjiang 1 July cotton textile general mill. On arriving at the iron and steel company to inspect work on 5 July, he was informed that the plant now had 20,000 tons of steel stockpiled, with the result that 16 million yuan in capital could not be circulated, and that there were many customers in the interior urgently needing the steel, but the problem of rail transport could not be solved. He immediately told the responsible comrades accompanying him that it was essential to devise all possible means to solve this problem. Afterwards, he commissioned the comrades concerned to telephone the responsible comrades of the railway bureau to discuss readjusting the make-up of trains and map out transport plans. As a result this problem which had dragged on for 6 months was solved in only 4 days. As the 1 July cotton textile general mill, Tomur Dawamat pointed out after listening to work reports: The enterprises must unswervingly persevere in reform the fruits of reform should be gradually consolidated, perfected, and improved. We cannot go back to the old road. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 0000 GMT 11 July 86 HK] /8918

INDUSTRIAL PRODUCTION ARRANGEMENTS--The Provincial Economics Commission held a forum of responsible persons of 10 prefectural and city economics commissions on 6 July to discuss the economic situation and make arrangements for industrial and communications production in the second half of the year. The commission called on prefectural and city economics commissions to put reform in the first place in economic work in the second half of the year, focus on putting reform measures on a sound basis, and further invigorate the enterprises. At present enterprise reform should be centered on reform of the enterprise leadership setup. It is necessary to universally institute the system of a manager's responsibility for meeting targets during his term of office. It is necessary to firm up various economic responsibility systems and put them on a sound basis, make good and flexible use of bonus funds, and implement the principle of distribution according to work. We must adopt a policy of further relaxation and invigoration for certain special enterprises. The Provincial Economics Commission held that so long as there are raw material sources, sales outlets, and guaranteed quality, free rein can be given to all-out efforts in industrial production in the second half of the year. The province should maintain appropriate growth rate under the premise of improving economic results. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 7 Jul 86 HK] /8918

ENTERPRISE REFORMS STRESSED--Lanzhou City CPC Committee Secretary Wang Jintang has been interviewed about the censure incurred by (Xu Jiangji), manager of the city No 4 woolen textile mill, when carrying out reform. Wang Jintang said: We must respect the position of the enterprises, ensure the powers of the managers, and truly create a relaxed atmosphere for reform. Wang Jintang said: The Lanzhou No 4 woolen textile mill has been successful in carrying out reform. Reform is a profound social change, and a process of gradual exploration is required. It is inevitable that problems of various kinds will arise, and there is nothing strange about that. The leaders must keep clear heads, distinguish between right and wrong, fully affirm the achievements of reform, and unswervingly support reform. We cannot use simple methods to deal with the shortcomings and mistakes of reformers. We must help them to enhance understanding, sum up experiences and lessons, and correct the mistakes. Wang Jintang told the reporter in conclusion that at present the concept of power and the idea of leadership is very strong among certain leaders. This is not helpful for reform. The reforms need the trust and support of the upper-level leaders. We must support them with a firm and clear-cut stand, and uphold justice for them. The leaders must rid of old concepts and establish new ones. They must bring about an ideological change in their thinking. Only thus can we create a [words indistinct] for reform and make a success of reform. [Excerpts] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 8 Jul 86 HK] /8918

ENTERPRISE WORK TEAMS--According to XIAN WANBAO, the Xian City government has decided that in the future all work teams sent into enterprises must come under unified city arrangements, no matter what they are checking on or which level organized them. The enterprises have the right to refuse to admit inspection groups that are not under unified city organization. [Text] [Xian Shaanxi Provincial Service in Mandarin 0100 GMT 5 Jul 86 HK] /8918

HUBEI PROGRESSES AUDIT WORK--In the first half of this year, the province's auditing departments totally checked accounts in 3,880 units. In the work, the departments discovered that over 246 million yuan in funds were in appropriately handled, of which more than 42 million yuan should have been delivered to the state. Now, the departments have delivered 20 million yuan to the state. By the end of June, the province had checked 596 projects, in which the departments discovered that more than 42 million yuan in funds had not been collected, and more than 33 million yuan of funds came from inappropriate sources. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1000 GMT 11 Jul 86 HK] /8918

HUBEI INSTITUTE GRADUATES MANAGERIAL CADRES--Wuhai, July 11 (XINHUA)--Some 150 senior and middle-ranking managers, averaging 35 years old, have graduated from a 2-year course at the Hubei Provincial Economic Managerial Cadres' Institute, said an official of the Provincial Economic Commission. They studied political economy, higher mathematics, planning, industrial management, statistics and accounting at the institute, which is one of China's major training centers for managerial officials and experts. There are more than 600 students in the institute which was set up in 1983, and some 600 newcomers will be admitted this fall. Last year, more than 45,000 business and factory managers received training at centers sponsored by provincial, city and county authorities, the commission official reported. About one third of the counties have set up their own training centers, he added. [Text] [Beijing XINHUA in English 1054 GMT 11 Jul 86 OW] /8918

CSO: 4020/388

FINANCE AND BANKING

GANSU PROVINCE INCREASES FINANCIAL REVENUE

HK151332 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 14 Jul 86

[Text] The province's financial revenue in the first half of this year amounted to 901.73 million yuan, accounting for 48.9 percent of the annual revenue target and marking an increase of 9.9 percent over the same period of last year. This also indicates that the province has maintained a good trend of achieving synchronous growth rates in both financial revenue and economic development.

According to the relevant data, there were two characteristics in the province's financial revenue in the first half of this year:

1. Prefectural and county levels have done better than the provincial level in financial revenue. By the end of June, prefectural and county levels fulfilled 50.7 percent of their annual financial revenue target, an increase of 15 percent over the same period of last year; whereas the provincial level fulfilled 46.4 percent of its annual financial revenue target, an increase of 3.7 percent over the same period of last year.

2. The province has done better in industrial and commercial tax revenue than in enterprises' income. The province's industrial and commercial tax revenue in the first half of this year accounted for 51.2 percent of the annual target, whereas income of the province's enterprises in the first half of this year accounted for only 39.5 percent of the annual target.

Tax revenue, the province's major financial revenue, usually accounts for about 90 percent of the province's total financial revenues. The good industrial and commercial tax revenue of the province in the first half of this year was due to three reasons.

1. The continuous growth in industrial production has resulted in a continuous increase in sales volume, and the deficit of loss-suffering enterprises has reduced by a wide margin.

2. The tax revenue of major products, such as power energy, nonferrous metals, and cigarettes, has increased.

3. Due to expansion of commodity circulation, sales tax from commerce, communications, and service industry has increased.

/8918
CSO: 4006/1191

NORTH CHINA BANKS SPEED UP MONEY REMITTANCES

OW202214 Beijing XINHUA Domestic Service in Chinese 2334 GMT 19 Jul 86

[By reporter Zhao Yongjin]

[Text] The People's Bank, the Industrial and Commercial Bank, and the Agricultural Bank in Hebei, Beijing, and Tianjin recently agreed to effect direct settlement of payments.

The banks in these areas will try a new method for settlement of payments for money orders or drafts. The new method involves the use of a standard "special seal for settling payments in Beijing, Tianjin and Hebei," a "list of banks and financial institutions for money remittance in Beijing, Tianjin, and Hebei," and a standard list of secret codes. This new method for settling payments will help cover more areas for the transfer of funds, make things convenient for the customers, speed up the delivery of vouchers, reduce the number of days needed to settle payments, and ensure that the payment is ready when the bearer of the draft arrives in the bank. In addition, the branches of the Agricultural Bank in Hebei Province in the vicinity of Beijing and Tianjin may directly settle payments with other branches of the Agricultural Bank in Beijing and Tianjin from now on. In this way, the number of channels a person must go through in remitting money from one place to another will be reduced to 1 or 2 instead of 4 or 5 as in the past. The number of days required for settlement of payments will be reduced to 2 to 4 days instead of 7 to 8 days as in the past.

The banks in Beijing, Tianjin, and Hebei also agreed to gradually set up a "clearing house for checks and drafts in Beijing, Tianjin and Hebei" in the future. They also agreed that right now, checks can be cleared in places where conditions permit for the transfer of money and that later, standard drafts will be used to settle payments in different localities.

/8309
CSO: 4006/1233

BRIEFS

SHANDONG TECHNICAL TRANSFORMATION LOANS--During the period of the Seventh 5-Year Plan, the Shandong Provincial Industrial and Commercial Bank will grant 5 billion yuan in loans for conducting technical transformations, a 60-percent increase over the Sixth 5-Year Plan period. During the Sixth 5-Year Plan period the province issued a total of 3 billion yuan in loans for conducting technical transformations. With this fund, more than 5,800 technical transformation projects have thus far been put into production, which have increased profits and taxes by 2.3 billion yuan. [Summary] [Jinan Shandong Provincial Service in Mandarin 2200 GMT 11 Jul 86 SK] /8918

HUBEI FINANCIAL SITUATION IMPROVES--The financial situation in Hubei Province during the first half of this year was relatively good. The amount of currency withdrawn from circulation was 240 million yuan. The total amount of urban savings deposits in the province reached 4.96 billion yuan. The total of all insurance premiums in the first 5 months reached 70 million yuan. These totals were all more than in the same period last year. The amount of laons as industrial floating capital was 960 million more than in the beginning of last year. These loans were spent on supporting marketable light industrial and export products, supporting production, and supporting the development of energy resources, communications, and the raw material industry. The total amount of agricultural loans was 430 million yuan and these loans were mainly spent on the production of grain and cotton and on the breeding of livestock and aquatic products. The total amount of exports for the whole province in the first half year was $367 million. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1000 GMT 14 Jul 86 HK] /8918

URBAN SAVINGS DEPOSITS--Beijing, July 20 (XINHUA)--Bank savings deposits in China's urban areas reached 106.93 billion yuan by the end of June, according to the Industrial and Commercial Bank of China. According to the bank's statistics, the first half year saw a savings increase of 17.42 billion yuan, meeting about 76.9 percent of the total increase in the bank's floating loans. The official attributed this increase to better services and expansion of business scopes. In China's special economic zones, the bank also has foreign exchange savings business. Up to now, the industrial and commercial bank has 16,000 urban branches and some 600,000 offices taking care of the bank's businesses. [Text] [Beijing XINHUA in English 0552 GMT 20 Jul 86 OW] /8918

NANJING INTERBANK CLEARING HOUSE--Nanjing, 5 Jul (XINHUA)--A central clearing house and a center to coordinate leading and borrowing among different special banks were set up in Nanjing, capital of Jiangsu Province, this week to speed the work of clearing receipts and checks. In the clearing house, under the direction of the People's Bank, 23,000 receipts an hour can be handled. The bank authorities said that the clearing house, along with the lending and borrowing center, helps raise the efficiency of bank work. Now, enterprises can get the capital they need quickly. [Text] [Beijing XINHUA in English 1503 GMT 5 Jul 86 OW] /8918

CSO: 4020/388

INDUSTRY

GANSU RIBAO ON INCREASE IN INDUSTRIAL OUTPUT VALUE

HK310945 Lanzhou GANSU RIBAO in Chinese 15 Jul 86 p 1

[Report by Ma Huaqin [7456 5478 5367]: "Gansu Speadily Maintains Trend of Increase in Its Gross Industrial Output Value"]

[Text] After 3 successive years of steady and coordinated development of industrial production, Gansu maintained its trend of increase in the first half of this year, with a growth rate of 7.2 percent. In connection with the new difficulties and new problems in the second half of this year, the department concerned is adopting measures for working out appropriate arrangements, so as to ensure the accomplishment of this year's tasks.

Between January and June, the cumulative gross industrial output value of the province totaled 6,033 million yuan, also an increase of 7.2 percent compared with the same period last year. The growth rate of light industry was 11.6 percent, and that of heavy industry was 5.7 percent. The output volume of major products such as pig iron, copper, timber, beer, rolled steell, plate glass, cotton cloth, knitting wool, and so on was increased by more than 20 to 30 percent compared with the same period last year. Some 87.7 percent of the products had their quality maintained or improved, which was higher than the figure for the same period last year. Between January and May, the output value of the province's budgetary industrial enterprises was increased by 5.4 percent compared with the same period last year, while their sales volume was increased by 9.5 percent and their profit and tax delivery was increased by 10.7 percent. Thus, they have maintained a "simultaneous growth in three areas." Also, the level of industrial losses dropped by 34.3 percent in the period.

According to a responsible comrade of the department concerned, the major issues and problems of our current industrial production are: The development of production is not even, with the progress of some departments and localities falling short of the planned requirements, and the development of some units even declining. In addition to having not very satisfactory economic indexes in some areas, sharp increases in liquid capital, and a rise in fixed-price products' production costs, some enterprises faced a drop in their profits, and losses even occurred. Many medium-sized and small enterprises are in a predicament since their amount of retained capital is small and they lack the capability for self-transformation. This responsible comrade said: The situation faced by the province's industrial production in the second half of this year is serious, [word indistinct] task is very arduous. In order to ensure the accomplishment of the tasks for the whole year, particularly the third quarter, we shall adopt the following measures. First, we shall take a clear stand and support enterprise reform. We shall resolutely implement and perfect the responsibility system of factory directors, and return to enterprises their proper decisionmaking power. We shall resolutely check practices of apportioning expenses to enterprises, and protect the independence and initiative of enterprises. At the same time, we must help them carry out reforms in a comprehensive way, and further perfect their economic responsibility system. Second, we shall stress speed under the prerequisite of ensuring the products' marketability, quality, and economic results. We should guard against the tendency of only pursuing high output value and speed. When assigning production quotas, we must set the demands in terms of output value, quality, and economic results. In the third quarter, we should have some 90 percent of the major products' quality maintained or improved. Beginning from 1 July, we have formally implemented the State Council's "regulations on responsibilities for industrial products' quality." Whoever produces goods that fail to meet the state's standards must be instructed to undergo consolidation within a specific time. If this does not improve the situation, the producer must have his operation suspended or cloased down, or even have his business license revoked. Enterprises which produce famous, quality, and badly needed products should be given help in terms of energy, capital, raw materials, and transport, so that they can go all out and engage in production. On the other hand, we should check or stop the production of overstocked and unmarketable products. Third, we should continue to overcome difficulties concerning capital and raw materials. Recently, by acting in the spirit of the state's instruction on taking an even more relaxed attitude toward the enterprises' liquid capital, the province's banks have raised funds for urgent production of a particular product. The provincial economic and planning commissions, as well as the goods and materials supply department, will soon hold a meeting on exchanging goods and materials. In addition to allocating some goods and materials to meet urgent needs, they will organize the supply of goods and exchange products. Some of the products may be exchanged with other provinces. Fourth, we should strengthen and improve the administration of enterprises. All enterprises must focus on product quality, consumption, fund management, and group building when working out specific measures and strengtheningthe basic work. In the third quarter, we should conduct self-examination, mutual examination, and selective examination, in addition to holding on-the-spot meetings on exchanging experiences.

/6662
CSO: 4006/1232

BRIEFS

LIGHT INDUSTRIAL PRODUCTION--Beijing, 9 Jul (XINHUA)--According to the Ministry of Light Industry, enterprises on the light industrial front produced 84.3-billion-yuan worth of products during the first half of this year. This was 8.9 percent more than during last year's corresponding period. Statistics show the following increases in production in the first half of this year compared with the corresponding period of last year: Production of sugar increased by 690,000 metric tons, salt 1.72 million metric tons, cigarettes 800,000 boxes, beer 360,000 metric tons, synthetic detergent 90,000 metric tons, wristwatches 2.81 million, refrigerators 150,000, and washing machines 250,000. Relatively big increases were also registered in the output of electric fans, stainless steel products, and toys. [Summary] [Beijing XINHUA Domestic Service in Chinese 0808 GMT 9 Jul 86 OW[/6662

CSO: 4006/1232

BRIEFS

SICHUAN COMMUNICATIONS FACILITIES--During the Seventh 5-Year Plan period, Sichuan Province will build or rebuild a large number of major highways, channels, and wharves. The province will build or rebuild 10 highways. At the same time, the province will build or rebuild highways in old liberated areas, poor mountainous areas, and minority-nationality areas. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 17 Jul 86 HK] /6662

CSO: 4006/1232

FOREIGN TRADE AND INVESTMENT

GUANGDONG'S EXPORTS SET 'NEW RECORD IN HISTORY'

HK180809 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0852 GMT 17 Jul 86

["Roundup" by ZHONGGUO XINWEN SHE reporter Zhang Xu [1728 6079]: "Guangdong's Export Trade Shows a Turn for the Better and Sets a Record in History"]

[Text] Guangdong's export trade, which declined last year, has shown a turn for the better since the beginning of this year. The export volume of the first half of this year reached $1.759 billion, which was more than 60 percent of the quotas of the whole year, and an increase of more than 45 percent over the same period last year. This set a new record in history. This was the first time that Guangdong ranked first in export trade among various provinces, municipalities, and autonomous regions in the whole country. In addition, Guangdong's import trade was more than 15 percent less than during the same period last year. This means the end of the fluctuating situation in Guangdong's foreign trade in recent years.

During the first half of this year, 80 percent of Guangdong's specialized foreign trade companies fulfilled their export quotas. Their achievements in the export of taxtile products, grain, edible oil, light industrial products, metals, and mineral products were particularly outstanding. Some companies have nearly fulfilled their export quotas for the whole year. The export volumes of various localities throughout the province have been higher than last year except Shenzhen and Hainan Island. Foshan, Zhaoqing, Huiyang, Guangzhou, and so on have a higher margin of increase. During the first half of this year, Jiangmen and Shaoquan overfulfilled export quotas for the whole year.

The main reasons for the increase of Guangdong's export trade during the first half of this year were: The relevant departments made early arrangements; purchase price was based on quality, and export price was set according to market demand, which ensured ample supply of goods; effective measures were taken to encourage exports; and the plan for encouragement and retention of foreign exchange was implemented in enterprises so that the enthusiasm of basic-level enterprises and foreign trade companies would be aroused.

To tape new sources of goods, foreign trade departments actively participated in the organizational of production. This speeded up the establishment of the production system of commodity production. There were more than 60 specialized plants and factories, and 18 joint venture specialized plants based on joint operations under the import and export company of light industrial products. The products they provided accounted for more than 30 percent of the total export volume of the company. At present, Guangdong's production system for manufacturing export commodities has been initially developed on a fairly large scale.

After the implementation of the export quota and licensing system, the relevant departments in Guangdong promptly sent work groups responsible for export licenses and quotas to trading ports such as Shenzhen, Shantou, Zhanjiang, Hainan, Zhuhai, and so on. They adopted flexible measures in order to facilitate the port.

Experts have pointed out that the efforts made by Guangdong in recent years to import technology through foreign trade have produced a positive influence on the export capability of the province. During the first half of this year, the export volume of enterprises engaged in production with materials, samples, and parts provided by foreign businessmen, and compensation trade, Sino-foreign joint venture enterprises, enterprises based on cooperation between China and foreign countries, and enterprises solely run by foreign businessmen reached $210 million, accounting for slightly more than one-eight of the total export volume. Advanced technology has upgraded and updated many products and brought about many new products. Some one-third of the exhibits on display at Guangdong's export product commodity fair held early this year in Hong Kong were new products.

The drop of oil price, gradual increase of supply and demand on the international market, brisk international economy, and the decrease of "paralleled goods" on Hong Kong and Macao market were objective factors beneficial to Guangdong's export trade.

Hong Kong and Macao are still the main market for Guangdong's export trade, and the main export commodities are light industrial, agricultural, and sideline products. Although exports are optimistic about Guangdong's export trade, Vice Provincial Governor Yu Fei put forth opinions on speeding up the establishment of export commodity production system, enhancing the execution rate of contracts, and so on at the recently concluded Guangdong provincial economic and trade meeting. The relevant persons are fully confident that Guangdong is able to fulfill the record high total export volume of the whole year valued at $3.5 billion. They point out that after the ending of long-term fluctuation, Guangdong's export trade will enter a new period of sustained and stable growth.

/6662
CSO: 4006/1229

FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE VALUE INCREASES IN MAY

HK300448 Beijing CHINA DAILY (BUSINESS WEEKLY supplement) in English 23 Jul 86 p 3

[Text] China's foreign trade value registered $6 billion in May this year, an increase of 4.7 percent over the same period last year, reports the State Statistical Bureau.

The trade deficit topped $960 million, with exports standing at about $2.5 billion and imports at $3.5 billion. Exports for the month recorded an increase of 14 percent, while imports dropped 11.1 percent.

On the export side, shipments to Hong Kong and Macao topped the list, standing at $800 million by month's end. That is an increase of 42.9 percent over the same period a year ago.

The European Economic Community (EEC) came in the second with $450 million, and increase of 164.7 percent. Japan ranked third with $340 million, down 32 percent. The United States took fourth place with $220 million, up 71.4 percent, and Canada, with $30 million, up 50 percent.

On the import side in May, Japan topped the list with $990 million, a decline of 27.2 percent. Imports from the EEC reached $650 million, an increase of 66.7 percent, ranking it second; Hong Kong and Macao followed with $460 million, up 7 percent; the United States came in fourth, standing at $420 million, up 5 percent; the Soviet Union reached $80 million, up 33.3 percent; and Canada, $60 million, down 40 percent.

In May, about 1.6 million people toured China, an increase of 20.2 percent. Of those 140,000 were foreign tourists outside of Hong Kong and Macao. Japan accounted for 43,000 tourists, up 2.4 percent over the same period last year. Tourists from the United States totalled 31,000, up 28.2 percent.

Tourists from Italy totalled 2,000, registering the biggest percentage increase from all the foreign countries.

Foreing Trade Commodities May 1986

Commodity	Exports Volume	% change over May 1985
Hogs	262,000	+ 12.4
Fresh, frozen pork	5,355 tons	+ 41.4
Marine products	11,319 tons	+ 61.5
Vegetables	39,951 tons	+ 11.3
Canned food	32,000 tons	+ 6.7
Canned peanuts	40,000 tons	+ 91.3
Tea	11,000 tons	+ 10.0
Medicine	4,628 tons	+ 33.1
Coal	849,000 tons	+ 68.8
Crude oil	2.7 million tons	- 11.7
Clothing	161 million tons	+ 9.1
Wheat	491,000 tons	- 6.3
Sugar	32,000 tons	- 76.6
Timber	717,000 cubic metres	- 12.2
Synthetic fibres	25,804 tons	- 31.6
Cotton	12 tons	- 80.0
Iron ore	1.46 million tons	+ 84.7
Steel products	1.47 million tons	- 8.0
TV sets	103,000	- 76.7
Wristwatches	381,000	- 8.4

/6662
CSO: 4020/392

GUANGXI USES IMPORTED TECHNOLOGY TO BOOST ECONOMY

OW200750 Beijing XINHUA in English 0738 GMT 20 Jul 86

[Text] Nanning, July 20 (XINHUA)--Foreign investment and technology has helped Guangxi Zhuang Autonomous Region develop its economy and investors earn profits, according to a high-ranking regional government official.

Wang Rongzhen, vice-chairman of the regional people's government, said, between 1979 and 1985, the region had signed 232 contracts on using foreign investment and importing technology, totaling 350 million U.S. dollars. In the first six months of this year it signed 12 more contracts totalling 27 million U.S. dollars.

They involve in industry, agriculture, communications and tourism, Wang said.

Wang Rongzhen said, so far, 122 projects have been completed and put into operation.

A Nanning radio plant and a Hong Kong firm jointly set up an electronics company to produce variable condensers and coils. The project, with a total investment of 990,000 U.S. dollars. [as published] After three months of operation which started in last September the plant's total output value reached 490,000 yuan, and part of its products are being exported.

The Liuzhou cement factory now under construction has imported a set of cement production equipment from Denmark through compensation trade. With an investment of 36.8 million U.S. dollars, the factory will produce 1.06 million tons of cement a year.

Some enterprises, such as the Nanning chemical works, Guilin talcum powder factory, Beihai printing house and Guilin No 3 electronics factory, have used foreign investment to retool their equipment.

Guilin is one of China's most attractive tourist centers. The region, inhabited by 12 ethnic groups, has rich natural resources. In the last few years, seven tourist hotels were built or transformed, using foreign investment, and another 11 hotels are now under construction.

It is learnt that the regional government would make known to foreign investors the possibilities of 34 cooperative projects at an export commodity exhibition to be held in Singapore in August. They cover textiles, chemicals, medicine, telecommunications, and material and light industries.
/6662
CSO: 4020/392

BRIEFS

ELECTRONICS EXPORTS INCREASE—The China Electronics Import and Export Corporation coutracted a total volume of exports during the first 6 months of this year valued at $223 million, an increase of 897.4 percent over the same period last year. The value of the actual amount exported from January until June was $34 million representing a 90 percent increase over the same period last year. [Excerpt] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 14 Jul 86 p 3]

BEIJING SURPASSES EXPORT QUOTA—In the first 6 months of this year, the total value of Beijing's foreign trade exports amounted to $334 million representing a 39.4 percent increase over the same period last year. The main items exported were textiles, cereals and oils, livestock, jewelry, machinery, handicrafts, light industrial products, gold, silver, copper, tin, iron, chemical industrial products, automobiles, electronic goods, coal, and equipment. [Excerpt] [Beijing BEIJING RIBAO in Chinese 6 Jul 86 p 1] /6662

ANHUI TRADE CONSULTATIONS SUCCESSFUL—Anhui's foreign trade consultations came to a successful close on 8 July after an unprecedented 11-day session. Over 900 businessmen from 24 different regions and countries attended. A total of 554 contracts were signed for a total volume of trade valued at $108.4 million. This figure surpassed the pre-set target by 54.76 percent. The total value of exports negotiated amounted to $81.1 million representing a 23.9 percent increase over the same period last year. The consultations were successful in expanding the use of foreign investment and a total of 22 items of econmic cooperation were arrived at that will bring in $13.75 million in direct foreign investment. [Excerpt] [Hefei ANHUI RIBAO in Chinese 10 Jul 86 p 1] /6662

ZHEJIANG TRADE FAIR SUCCESS—Zhejiang's trade fair drew to a close on 4 July with a total volume of trade valued at $106.5 million which exceeded the planned target two-fold. Of this total, cereals, oils, foodstuffs, and silks accounted for $20 million and textiles accounted for $18 million. Over 800 businessmen from over 25 different countries attended. Several new products such as lambswool yarn and stripped copper wire were made available and the total value of machinery, mechanical equipment, and electronic items came to $13 million. [Excerpt] [Hangzhou ZHEJIANG RIBAO in Chinese 5 Jul 86 p 1] /6662

BREAKTHROUGHS URGED IN FOREIGN TRADE--Guangzhou Mayor Zhu Senlin said today at a foreign trade work conference convened by the city government that this year the city should strive to make new breakthroughs in foreign trade growth, in the establishment of an export production system, in opening up overseas markets, and in the use of foreign investment to import technology. Guangzhou did well in exports in the first half of this year. By the end of June, exports amounted to $277 million, representing 69.7 percent of the year's plan and an increase of 84 percent over the same period last year. There were big increases in exports of grain and oil foodstuffs, textiles, indigenous goods, light industry products, arts and crafts, and machine-building and chemical products. Mayor Zhu Senlin demanded that the city's export volume this year top the $500 million mark. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 19 Jul 86 HK] /6662

214 BUSINESSES OPENED ABROAD--Beijing, July 29 (XINHUA)--China had opened 214 joint ventures and enterprises with sole Chinese investment abroad and in Hong Kong and Macao by the end of June, the bi-weekly, INTERNATIONAL BUSINESS, reported today. The Chinese Government approved the establishment of 35 new firms abroad, and in Hong Kong and Macao in the first half of this year. The 214 firms, located in 50 countries and regions, involve 340 million U.S. dollars in investment, with 57.5 percent from Chinese partners. Their business scope includes development of natural resources, industrial and agricultural production, contracting for engineering projects, transport, consultancy and insurance, the journal said. "Now, firms in 80 countries and regions are proposing 400 cooperation projects with Chinese companies," it said. "China's investment abroad is aimed at promoting economic and technological cooperation with other countries and achieving common prosperity," it added. [Text] [Beijing XINHUA in English 0540 GMT 29 Juo 86 OW] /6662

FUJIAN EXPORTS--Export-oriented factories brought in 144 million U.S. dollars or 61 percent of Fujian Province's income from foreign sources in the first half of the year. [Text] [Beijing XINHUA in English 1350 GMT 21 Jul 86 OW] /6662

CSO: 4020/392

TASKS FOR FURTHERING OPEN DOOR POLICY IN SHENZHEN GIVEN

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 1, Jan-Feb 1986 pp 12-15

[Article by Pan Enqi [3382 1869 3823]: "The Open Door Policy in Shenzhen"]

[Excerpts] Shenzhen is located along the southern coastal area of China. Shenzhen's existence is the result of the implementation of the open door policy in China. What are the characteristics of opening up in Shenzhen over the past five years? What has been the effect? How can the open door policy be further carried out in the future? With these questions in mind, I went to Shenzhen to conduct investigations. Below I will present some of my findings.

II. Opening up Further in Shenzhen

In the long-term, Shenzhen should be wide open to foreign trade, that is, there should be complete freedom in the circulation of commodities, capital, and manpower between the SEZ's and other countries (regions). This would be the highest stage in opening up to the outside world. In terms of prerequisites of certain developed nations for being open to outside trade, Shenzhen is still in the early stages. First, its economic strength is still quite weak. In the industrial structure, the electronics industry is excessively prominent and most products are sold on the domestic market. Other industries are, for the most part, quite weak. In the enterprise structure, the proportion of Chinese capital enterprises is great (96 percent) but export capacity is weak (their commodity exports make up about 2 percent of SEZ exports). Second, in terms of the situation regarding foreign trade and the balance of foreign exchange, over the past 2 years the SEZ trade deficit has been very large (in 1984 the commodity import-export deficit was twice as much as the total amount of exports for that years). Furthermore, numerous enterprises in the industrial sector have had an imbalance of foreign exchange payments. How can Shenzhen fully implement an open door policy under such circumstances?

It is an objective requirement of economic development that the economy of Shenzhen be transformed from being import-oriented to being export-oriented. Over the past few years the economic activities of Shenzhen have chiefly moved along the path of regulating the domestic market. Although its products have already entered the international market, nevertheless, about 60 percent of its commodities go into circulation in the interior. The economy of Shenzhen gives priority to the domestic market. During the initial stages of the SEZ's the occurrence of such a situation was quite normal. However, with development of conditions both at home and abroad, it has become necessary for the economy to shift its focus from the domestic market to the foreign market in order to attain the objectives of establishing Shenzhen.

In order for Shenzhen to open up even further, its economy must become more geared to foreign trade and the business environment within the SEZ must conform to the international economy. Thus, the major tasks for the next period are as follows.

A. Carry out a Change in the Orientation of the SEZ Economy

At present the problem of shifting from an economy focused on the domestic market to one focused on the foreign market still exists in Shenzhen. When this takes place the foreign exchange from Shenzhen industrial exports may constitute about 60 percent of total industrial output value and there will be a balance of foreign exchange payments. The chief tasks involved in achieving this shift are:

(1) In macroscopic terms, it is extremely important to increase the proportion in the SEZ structure of manufacturing industries which are geared to the international market. During the initial phase in Shenzhen there was rapid development of businesses and realty in which investments were quickly recovered and profits were large. This was necessary and there may be further growth in the future. However, in the long-term, Shenzhen should strive to develop manufacturing industries which give priority to foreign markets. Not only is this imperative at the present time, indeed, in a certain sense, this is the key to whether Shenzhen thrives and flourishes.

(2) In microscopic terms, each enterprise in the SEZ should successfully implement a shift in the focus of work. SEZ enterprises have more autonomy than enterprises outside the SEZ's. They should, therefore, use their own strength as their foundation. This is a fundamental principle for successfully carrying out economic transformation work in enterprises. According to this principle, the government should set deadlines and monitor the economic transformation and in which it is

attainable. Those enterprises which lack the ability to be transformed should be eliminated. This would bring about an improvement in the quality of industrial enterprises within the SEZ's.

B. Ensure That SEZ Currency Stabilizes and Is Freely Convertible

The special characteristics of Shenzhen should be as follows: in construction capital given priority to foreign capital; in the enterprise structure give priority to Chinese-foreign joint venture enterprises, cooperative enterprises, and foreign enterprises; and among products give priority to exports. SEZ currency should also be freely convertible. At present RMB, foreign exchange certificates, and three kinds of Hong Kong currency coexist in Shenzhen. There are contradictions especially between the domestic orientation of RMB and the external orientation of economic growth in the SEZ's. Such conditions are not beneficial for normal economic activities in the SEZ's, thus currency reform is needed. Moreover, Shenzhen's current economic strength is not conducive to changing SEZ freely convertible currency into hard currency. Commodity circulation is the basis for currency circulation. Shenzhen's export capability is still weak. Even though the SEZ is in an area into which capital flows, nevertheless, the number of SEZ products that can be used for export is small. This means that the most basic forces supporting the circulation of SEZ freely convertible currency are weak. Consequently, the role of foreign exchange certificates is weak and if we issue new convertible currency, it too will not play an important role. Whether or not currency can be stabilized depends not only on currency reserves but also on the international balance of payments in that area. The only solution is to adopt numerous methods to expand social productive forces in the SEZ. The risk involved in issuing convertible currency is quite large. The fact that the currency market exchange rate changes rapidly, plus the risks in currency speculation, make it essential that we cultivate and train international monetary control personnel and reform the establishment of financial institutions and business methods which do not conform to the need of economic growth in the SEZ.

C. Promote the Internationalization of SEZ Finances

The economy determines financial affairs. The rapid growth of Shenzhen commodity production plus the expansion of the commodity market have spurred on dramatic changes in SEZ finances. Many kinds of direct short-term loans and diversified financial instruments have appeared in Shenzhen. For instance, there are now limited share companies that involve foreign businesses which have adopted joint capital share methods and which make direct investments in the SEZ by means of cooperative and sole proprietorship financing. As for commerical credit, expansion of rental trade, compensation trade, and other means of transferring capital between foreign businesses and Chinese enterprises has been rapid. Some enterprise corporations in the SEZ have already begun to try out stocks and bonds and other means to raise capital. In terms of trends of development, financial undertakings in the SEZ's will gradually become more international.

Financial affairs affect the economy. We should actively promote the internationalization of SEZ financial affairs so that Shenzhen may establish financial ties with the international market as soon as possible. This will benefit opening up the SEZ economy. In order to satisfy the various capital needs of the SEZ, Shenzhen must open up a captial market and a foreign exchange market. Shenzhen has already taken the first steps toward preparing to issue stocks and bonds. They would first be issued in the SEZ, and after some experience, they would gradually be promoted in Hong Kong and overseas markets. As for the histories of some nations in opening up, most have opened up along with restricted foreign exchange markets. In the near future, Shenzhen may launch limited foreign exchange adjustment operations. In the long term, Shenzhen may expand international financial activities and not only conduct spot foriegn exchange transactions on the foreign exchange market but also promote long-term foreign transactions. Not only should they adopt various means of circulating capital on the currency market, but also on the capital market.

Several problems have arisen in the process of implementing an open door policy in Shenzhen such as the assault of "parallel goods," the imbalance of foreign exchange payments, etc. How are these problems to be handled? I believe that the social process of implementing an open door policy in the SEZ's is a difficult and complex process of exploration. Thus, it is not at all surprising when this or that problem arises during the implementation of the open door policy. On the other hand, it is also necessary to face these problems and conscientiously try to resolve them. Only in this way can the SEZ's further open up to the outside world and only then can Shenzhen's open door policy have a function and influence in the economy within and outside of the SEZ's as soon as possible.

9864/13104
CSO: 4006/914

SPECIAL ECONOMIC ZONES

EXPANSION OF SHENZHEN'S EXPORT-ORIENTED ECONOMY URGED

Beijing LIAOWANG [OUTLOOK] in Chinese No 11, 17 Mar 86 pp 23-24

[Article by Tang Huozhao [0781 3499 3564]: "My Views on the Growth of Shenzhen's Export-Oriented Economy"]

[Text] Since the second half of last year, Shenzhen organized large numbers of specialists and scholars to carry out numerous discussions on how to build Shenzhen into an SEZ with an export-oriented economy. It was generally acknowledged that the chief characteristics of an export-oriented economy should be: in construction capital to give priority to foreign capital; in the enterprise structure to given priority to Chinese-foreign joint venture enterprises, cooperative enterprises and foreign enterprises whose output value must constitute over one-half of the total industrial output value; among products give priority to export: SEZ exports must constitute over 60 percent of output value; and foreign exchange receipts and expenditures from independently manufactured products sold abroad must be balanced and there must be a favorable balance. This is called the "three priorities and one balance." I believe that the chief limiting factor in implementing these basic requirements is export salability abroad.

Our Energy Should Go into Work on the Export Growth Rate

According to plans for economic growth in Shenzhen, by the end of this century, Shenzhen will have absorbed $7 billion in foreign capital. With such an enormous amount of foreign capital, if exports are unable to bring in sufficient exchange, one can imagine the consequences. Improving the ability of exports to bring in exchange is not only a guarantee for the repayment of foreign capital used in construction in SEZ's, it is also the foundation for the continued absoption of foreign capital in them. As exports increase, conditions are created for absorbing foreign capital and expanding the import of advanced technology. Also, using foreign capital and introducing advanced technology will increase the ability of SEZ's to tap the international market and thereby expand exports. Consequently, SEZ's must develop an export-oriented economy and achieve a benign cycle. The basic approach lies in the continued expansion of exports and the ability of exports to bring in exchange.

Besides using an index of the increase in the amount of foreign capital, growth in exports is commonly used throughout the world to determine whether foreign capital that has been brought in is used rationally and to determine the strength of the capacity to make repayments. The higher the index number, the better the results of bringing in capital. According to this formula, prior to 1984 Shenzhen's index number was 0.53, about .3 higher than the various countries of South America. It was much lower than the 2.35 of Malaysia. This demonstrates that the export capacity of Shenzhen is still not very high. The reason for this is no doubt related to the existence of a certain "time difference" between foreign capital brought in, projects, and exports. However, it is primarily due to the fact that the low starting point of technology and substandard product quality make it difficult for products to enter the market or to expand the international market.

We must again use the growth objectives of planning during the Seventh 5-Year Plan to look at trends of export growth in Shenzhen. Acording to the requirements of growth plans, industrial growth in the SEZ's during the Seventh 5-Year Plan must be maintained at a steady rate, an average annual growth rate of 22.5 percent.

According to criteria for an export-oriented economy, export output value must reach 60 percent. In this way, total export value will reach 4.3 billion yuan by 1990. However, in 1984 the total industrial export value was only 634 million yuan. This means that in order to achieve the above-mentioned requirements, total export value must increase at an average rate of 37.6 percent per year, which is 15.1 percent higher than the industrial growth rate. It is quite difficult to attain this rate of increase. Although by 1984 the average annual growth of exports increased by 50 percent, the base figure increased and it was very difficult to maintain such a high rate of increase. Moreover, whether or not the current and future international market environment can maintain this export growth rate is still unknown. Clearly, the overall increase in world trade protectionism, the limited nature of Shenzhen's foreign trade channels, the lack of experience, and substandard product quality have all become major obstacles to expanding exports in Shenzhen. Thus there must be a "triple jump" for SEZ exports to get over these obstacles. Only then can the above-mentioned growth rate be obtained. This is what determines the development of an export-oriented economy in Shenzhen. It is necessary to strongly emphasize work on the export growth rate.

Readjust the Structure, Map out a Realistic Strategy for Export Growth

What is the essential factor influencing export growth in Shenzhen? According to 1984 statistical data, a major problem was the fact that products from traditional industrial enterprises and cooperating industrial enterprises in the interior did not move. In 1984, the amount of exchange created by the products of these enterprises amounted to only $2,209,000 or just less than 1.1 percent of the total volume of all industrial exports. This is a far cry from the output value of 650 million yuan from these enterprises during the same period last year.

There are three major reasons for the poor ability of these enterprises to bringing exchange. First, the enterprises are basically labor intensive, product quality is inferior, and the ability of these exports to compete is weak. Second, in terms of operational concepts and form, management is still accustomed to past methods. They are overly anxious about the risks of business in the international market. In addition, their channels are very limited and they lack personnel who are familiar with the international market and have definite marketing skills. Third, we have still not established economic circulation mechanisms to spur on enterprises to proceed from focusing on their own long-term interests to actively and of their own accord shifting production operations toward the international market. For instance, based on the current foreign exchange control system, prices of exports must be calculated according to the current exchange rate. Production costs are high and market channels are full of obstacles. It is very difficult to open up new markets, the distribution of benefits is uneven and the needs of the domestic market are increasing daily. As a result, it is better for enterprise production operations to be geared to imports rather than exports.

For this reason, it is very important to reorganize enterprises, particularly the exports and technological structure of traditional industrial enterprises and cooperating enterprises in the interior. It is also important to set up a realistic multilevel strategy for export growth to be promoted in stages based on the current product and technology structure.

In general, this strategy can tentatively be divided into three levels. Although Shenzhen may greatly increase the number of new technology product projects during the Seventh 5-Year Plan and although there are fine prospects for exports, nevertheless, it is unlikely that a production capability will materialize or that the export commodity structure will change. Thus the focal points for strategy for exports during this period should be as follows.

--Increase exports of local subsidiary agricultural specialties and other such traditional products, particularly fresh subsidiary agricultural products which are already well-known in the Hong Kong and Macao markets and which are easy to transport and for which the costs of earning foreign exchange are low.

--Fully utilize inland natural resources, refine and process raw materials, semimanufactured goods, and traditional namebrand products from the interior according to the demands of the international market, improve the refinement and processing of goods and the quality of commodities, and improve commodity packaging.

--Adopt the guideline of "substitute imports" and strive to develop technologically advanced products so as to enhance the competitive power of exports.

--Develop industrial exports that integrate the use of advanced technolgoy with traditional industries. Conditions are ripe for the production of such products in the SEZ's and an international market already exists.

--Rapidly train a group of specialized personnel to engage in business transactions on the international market so as to quickly open up new prospects for exports.

The aforementioned are short-term strategies (for the Seventh 5-Year Plan).

Medium-term strategies (for the Eighth 5-Year Plan): During the Seventh 5-Year Plan there will be economic and technological growth as well as the expansion of market channels and the accumulation of experiences in foreign transactions. As a result, there will be a rapid increase in exports in Shenzhen during this time. Thus this phase must focus on the following areas. First, those enterprises which use advanced technological equipment to meet the constantly changing demands of the international market must increase variety and assortment, accelerate product renewel and replacement and expand export volume. Second, at the same time they must strive to ensure that new technological projects established during the Seventh 5-Year Plan develop a production capability. They should develop several "hot-selling" products for high volume export, promote other products and expand series of exports. Third, in terms of market targets, besides consolidating the Hong Kong market and expanding the Southeast Asian market, it is necessary to open up the markets of the United States and Europe. Fourth, with much hard work in selling methods, we must make the transition from emphasis on indirect marketing to direct marketing and form an export marketing network that goes beyond national boundaries.

Long-term strategies (after the Ninth 5-Year Plan): In this period, SEZ's will undergo medium- and short-term export growth and establish a unique S&T and export system. Priority will be given to launching new technical products and exports and the export of other products from the interior will be encouraged through their own market channels.

Changing the Current Marketing Methods of Enterprises in the International Market

We cannct sit and wait for the opportunity to increase exports and expand the market, it is necesary to actively forge ahead. In reality, many products from Shenzhen enterprises are not lower in quality than similar products on the international market yet they are unable to break into the international market. Even if they get onto the international market, the volume of sales is small. For instance, the technical equipment in a plant belonging to the Municipal Petrochemical Industrial Co. was quite advanced. Their mechanized packaging equipment was all imported and their target for product sales was the international market. However, because they did not have a stable market, after trial production, their products continued to pile up in warehouses. At the present time, their warehouses are completely full and some workshops have even been turned into storage areas. This kind of situation is rare in Shenzhen. These circumstances demonstrate that promoting sales on the international market is the weak line in the expansion of exports in Shenzhen enterprises.

Clearly the narrowness of international market channels and the slow rate of growth of exports are directly related to the quality of personnel in enterprises promoting sales on the international market. Current sales personnel in SEZ enterprises were primarily transferred there from earlier positions in commerce or other fields. Thus, their knowledge and experiences in selling in foreign markets is quite deficient. In particular, they often vacillate or pass up many fine opportunities because they fail to understand or have insufficient understanding of international market conditions and of how to apply information on the fast-changing demands of the market. Over the past few years, although products from numerous enterprises have broken into the international market (primarily Chinese-foreign joint venture enterprises) nevertheless their business methods have chiefly involved sales channels such as Hong Kong commercial agents, intermediaries, or joint capital partners. Marketing personnel include enterprise management personnel (business managers, plant directors) who rely on the suggestions of commercial agencies or intermediaries to organize production. The rigid managment methods of enterprises is strongly related to obsolete and conservative management concepts. Shortsightedness is the striking manifestation of this backwardness. Some enterprises are satisfied that there will be a market for their commodities in the near future but not enough emphasis has been given to what measures should be used to expand the market, to extending the distance of commodity circulation, to expanding the space of commodity circulation and to establishing the fine image of enterprises in the market. For instance, the response of numerous enterprises to advertising has been: "At present we do not advertise because supply does not meet demand." Clearly this concept is very disadvantageous to developing an export-oriented economy.

Consequently, in terms of ideology, SEZ enterprises must stress opening up the international market and overcoming the contradiction in conservative and obsolete marketing concepts regarding the development of an export-oriented economy. Of course, the SEZ as a whole should undergo further system reform, perfect economic circulatory mechanisms and see to it that enterprises voluntarily shift from considering long-term interests to sales and competition on the international market. It is necessary to stress the training of specialized personnel to participate in business on the international market; to respect and strive to master the international market, particularly the business knowledge of the capitalist market; to change the knowledge structure of personnel engaged in business on the international market and establish a product promotion network that transcends national boundaries; to improve studies and forecasts of changes in supply and demand on the international market; and to emphasize the collection, study, and application of economic, social, and technical information as well as information on supply and demand and competition. We must create conditions for expanding exports, opening up the market and developing an export-oriented economy.

9864/13104
CSO: 4006/914

LABOR AND WAGES

GONGREN RIBAO DISCUSSES TRADE UNIONS

HK210151 Beijing GONGREN RIBAO in Chinese 3 Jul 86 p 4

[Article by Han Xiya [7281 6007 7161]: "Perfect the Socialist Democratic System, Consolidate the Unity Between the Party and the Masses--Exploring the Trade Union Issue in Socialist Society"]

[Text] The trade union issue in socialist society is a major, principled question relating to the socialist system. It is also an important question involving perfecting the socialist democratic system, ensuring the health of the ruling party, and consolidating the unity between the vanguard of the proletariat--the communist party and the masses of the proletariat. This article is devoted to the exploration of the trade union issue in socialist society.

The Fundamental Function of the Trade Union in the Socialist Period Is to Protect the Fundamental Interests of the Working Class

The trade union is an outcome of the class contradiction and struggle between the proletariat and the bourgeoisie in capitalist society. It is an organization formed by the proletariat itself for the purpose of unity and victory in its struggle against the bourgeoisie.

The victory of the proletariat has enabled it--originally the hired slave--to become the master of the means of production in socialist society as well as the master of the country and society. Under the condition of socialism, the fundamental task of the working class is to carry out socialist construction well, to perfect socialist democracy, to gradually improve its material and cultural life on the basis of developing production, and to promote the transition from socialist society to communist society. The fundamental function of the trade union in the socialist period is to protect the fundamental interests of the working class.

Society has always been like a pyramid with a leading group composed of a small number of leaders organizing millions upon millions of people to engage in social development. Socialist construction is a great systems engineering project carried out in a planned way. It requires unified and centralized leadership. The working class exercises such leadership through its vanguard, the communist party.

The quality of the work of the ruling party has decisive bearings on the success or failure in the socialist cause. Due to the complexity of the socialist cause, errors will occur in the party's work, party cadres will commit mistakes, and the tendency of party organizations and cadres at various levels to become divorced from the masses exists. We should be able to predict this: In the course of carrying out economic structural reform, implementing the policy of enlivening the domestic economy and opening up to the world, and developing a planned socialist commodity economy, it is easy for cadres of the ruling party to abuse their powers for personal gain and violate law and discipline if no effective measures are taken to restrict them. If this situation is allowed to continue, it will harm the economic and political rights of the working class and the people and will arouse dissatisfaction among the masses. We should view this problem this way. Only a true Marxist party has the courage to face this reality, to explore its law, and to solve it in a down-to-earth manner.

Perfecting Socialist Democracy and Allowing the People To Become Masters of the Country Are Fundamental Guarantees for Success in the Socialist Cause

Apart from exercising leadership over the socialist cause on behalf of the working class and the people, the party should also prevent its cadres from making mistakes. Therefore it is necessary to set up the most perfect structure possible for socialist society.

First, the party should strengthen the building of party organizations. Organizationally, it should make sure that it recruits advanced elements of the working class into the party and prevents opportunists from worming their way in. Ideologically and politically, it should strengthen education among party members, and among party cadres in particular. It should improve inner-party life under democratic centralism, strengthen party discipline, and actively carry out inner-party ideological struggle. Second, the state machine, which includes enterprises' management organs at the higher levels and organs of state power, should strengthen its supervision over the work of party cadres. However, it is not enough just to rely on the restrictions by organs at the higher levels. The most effective measures for helping party cadres do better work and make fewer mistakes are the rules and regulations formulated by the people and the workers according to state law, and their participation as masters of the country in state and enterprise management through socialist democratic organs. Only when the democratic system, the strengthening of the building of party organizations, and the administration and supervision over party cadres by the state and society merge into an organic socialist structure, can bureaucracy and practices in violation of law and discipline among party cadres be more effectively prevented and the consolidation of the unity between the party and the masses be better ensured.

The Trade Union Protects the Interests of the Working Class and Organizes It in Such a Way That It Can Become the Master of the Country

To exercise their powers as masters of the country, the workers must get organized, and the best organizational form is the trade union. As the organizer of the working class, the trade union organizes the workers in their participation in state and enterprise management and in their struggle against bureaucracy and the practice of abusing power for personal gain. It protects the interests of the working class. These are the unique functions of the trade union. As the trade union organizes almost all the members of the working class, it can promptly reflect the demands of the workers and clearly see the good and weak points of cadres in their work. By organizing the masses in exercising their democratic rights, the trade union can help party cadres do a better job in management work. Therefore, the trade union is an indispensable component of the socialist democratic system. Its special functions in the entire socialist state machine cannot be replaced by anything else. Putting the trade union in a proper position is a major issue involving the perfecting of the socialist state machine and the improvement of the socialist democratic system. Therefore, it is necessary to:

First, conduct a theoretical study of the trade union question and reach unanimity of understanding in the whole party and country with regard to the trade union in socialist society;

Second, enable the state to improve trade union legislation; the Chinese constitution has established the leading position of the working class but does not carry provisions on the trade union; in formulating laws and decrees, the state should provide explicit stipulations on trade unions;

Third, conscientiously implement the stipulations in Chapter Two of the state constitution on the people's right to manage state affairs; the trade union should organize staff members and workers in their participation in administration, and party and government organs should support the trade union in exercising its rights; and

Fourth, explicitly clarify the position and role of trade unions at the grassroots level so that they really become the representative of staff members and workers.

The Basic Form for the Trade Union to Organize Staff Members and Workers in Enterprises Is the Staff members and Workers Congress

Staff members and workers should exercise democratic management over socialist enterprises. In perfecting the staff members and workers congress system in enterprises, enterprise management must be established on a solid mass basis. The idea of stressing a high degree of centralization to the negation of democratic management runs counter to the party's mass line and socialist democratic principles.

As the staff members and workers congress has heavy tasks to shoulder and the majority of its deputies hold certain posts in production, the staff members and workers must have a permanent working body. The trade union has a complete organizational system as well as working personnel and activities who are recommended by the masses through democratic elections. So the trade union serves as the most suitable working body for the staff members and workers congress.

The democratic system of many trade union organizations is imperfect. Many of their cadres are appointed instead of being elected by the masses. Since these cadres are appointed from among party committee and administrative cadres, the bureaucratic style and the practice of abusing power for personal gain, which are found among party committee and administrative cadres, also manifest themselves among trade union cadres. In addition, it has been overemphasized for many years that the trade union perform its work absolutely under party committee leadership. As a result, many trade union cadres only know how to be responsible to the higher authorities but do not know how to be responsible to the masses; they look to the masses for help but do not represent the masses. All this leads to the separation of the trade union from the masses.

Therefore, we must make up our minds to perfect the trade union's democratic centralism. Major problems of the trade union must be decided in a democratic manner by staff members and workers congresses (members meetings) at various levels or by trade union committees. In particular, trade union committees must be established through democratic elections by trade union members (their representatives). Only thus, can the masses look upon the trade union as their own organization, can the trade union be put under the supervision by the masses, and can the situation in which "trade unions are run by the government" be put to an end.

The party is the vanguard and headquarters of the working class. Only under the leadership of the party, can the trade union hold firm to a correct political orientation. However, the trade union should carry out its work with methods different from those used in party leadership and administration. Furthermore, while exercising ideological and political leadership over the trade union, the party should not take on what ought to be done by the trade union, so as to allow it to operate in an independent and responsible manner.

Since the trade union issue is a major, principled question in socialist society, following the profound development of reforms in China, correctly solving the trade union issue should be put in the order of the day. Practice over the last 36 years has enabled us to gain rich experiences, both positive and negative. The conditions for straightening out the trade union issue in the socialist period are ripe. We should take a dialectical materialist attitude toward this issue, conscientiously discuss it, and correctly solve it.

/8309
CSO: 4006/1233

QINGHAI VICE GOVERNOR'S SPEECH ON EMPLOYMENT

HK171145 Xining Qinghai Provincial Service in Mandarin 2230 GMT 16 Jul 86

["Excerpts" of Speech by Qinghai Vice Governor Han Fucai at provincial employment work conference entitled "To Strengthen Leadership, Open All Channels, and Strive To Do Well in the Province's Employment During the Seventh 5-Year Plan Period"—date, place not given]

[Excerpts] Employment is an important economic and social issue concerning the people's immediate interests, society's stability and unity, and the future of the four modernizations. We must therefore really do well in the work.

The provincial government has decided to list the employment work as one of this year's 10 tasks. It has worked out relevant work requirements and measures, and has found the best way to carry it out, suiting the province's local conditions.

During the Sixth 5-Year Plan period, the province seriously carried out, with the active leadership of CPC committees and governments at various levels, the central authorities' principle concerning the employment work in townships in which we combine the methods of offering jobs through labor departments, creating jobs by voluntarily forming organizations, and finding jobs on one's own. Through the joint efforts of labor and personnel departments, as well as other departments, most unemployed people in townships have found jobs.

At the same time, we have conducted research and experiments on the issue of reforming the laboring structure. They were mainly replacing the single employment channel, which only focuses on state-run enterprises, by the diversified one, which includes state-run, collective, and individually-run enterprises; replacing the practice of directly assuming a post by that of receiving training before assuming a post; replacing the practice of only relying on administrative means by that of integrating administrative means with economic ones; reforming the recruitment system; and establishing experimental units for the system of recruiting staff on contracts. During the Sixth 5-Year Plan period, the province provided jobs for more than 182,000 unemployed people.

During the Seventh 5-Year Plan period, the province's economy will reach a new development stage, and there will be a better situation in terms of employment. But there are still many difficulties and problems. During the Seventh 5-Year Plan period, the trend that we shall face is:

First, during the Sixth 5-Year Plan period, quite a number of people had not been transferred from one trade to another, and the unemployment rate was still very high. During the Seventh 5-Year Plan period, the natural growth of labor force is so rapid that it is difficult now to find a job. According to relevant materials, during this period, the number of unemployed in townships total more than 179,000.

Second, the surplus rural labor force within and outside the province moves to provincial townships in large numbers to find jobs, thereby intensifying the problem of unemployment.

Third, quite a number of idle workers in state-run and collective enterprises will continue to become unemployed during this period, and their number will be greater than that during the Sixth 5-Year Plan period.

Fourth, since there is available the choice of career, we shall face the issue of unemployment in certain trades.

The above situation shows that our employment work during the Seventh 5-Year Plan period will be more arduous than the Sixth 5-Year Plan period.

We should strive to accomplish in the first 2 years of the Seventh 5-Year Plan period the task of basically arranging jobs for all unemployed people in townships, whose number has grown over the years; and, in the final stage of the Seventh 5-Year Plan period, strive to find jobs for all fresh graduates within the same year, and basically arranging jobs for all employed people [as printed] in townships within the following year. This year, the province plans to arrange jobs for 40,000 people and to train 10,000 people. The specific measures for accomplishing this year's and the Seventh 5-Year Plan's employment work are:

First, we should change the outdated employment ideology and reform the old system of arranging jobs in a centralized way. We should recruit staff through open channels, assess staff in an all-round way, and select the best candidate.

Second, we should implement policies, readjust structure, and widen the employment channels. Judging from the province's actual conditions and the development trend, we must greatly develop tertiary industry as well as industries that serve the major industries, in order to readjust the industrial structure. At the same time, we must continue to readjust the structure of ownership, greatly develop the collective and individual economies, and develop with focal points the employment channels in the collective and individual economies.

In order to encourage the unemployed in townships to voluntarily form organizations for self-employment, to find jobs, and to develop tertiary industry, we shall adopt some special policies and effective measures to ensure their healthy growth.

Third, we should plan in an all-round way while giving guidance according to different trades. We should tackle the tough issues concerning employment. We should implement the method in which the units are the principal party of and responsible for the work, which is coordinated by the local authorities. On principle, unemployed youths in various units should be offered other jobs through their units' labor service companies.

Fourth, we should put professional training into an important position and gradually establish a professional training system that suits the province's actual conditions.

Fifth, we should further consolidate and develop various types of labor service companies and give full play to their roles of arranging, managing, and readjusting the social labor force; offering professional training; assisting the unemployed in finding jobs; and probing ways of carrying out social labor insurance.

/8309
CSO: 4006/1233

HUNAN ISSUES TRIAL REGULATIONS ON WAGE PAYMENTS

HK050753 Changsha Hunan Provincial Service in Mandarin 2300 GMT 1 May 86

[Text] According to HUNAN RIBAO, the provincial labor and personnel department, the provincial planning commission, the provincial staffing commission, the provincial finance department, the provincial auditing bureau, and the Chinese People's Bank Hunan Branch recently issued joint trial regulations on executing provisional regulations formulated by the State Council on control of wage payments.

The trial regulations stipulate that all remunerations and allowances issued to individual workers or staff members that fall into the category of wage compositions as stipulated by the State Statistics Bureau should be placed under the scope of wage control.

Each enterprise, institution, administrative organ, and mass organization must open an account in only one bank for wage payments. The trial regulations also stipulate that all prefectures, cities, and responsible provincial departments must assign level by level the total wage targets set by the provincial authorities to grassroots units under their administration and send copies to the relevant banks. In accordance with the annual wage targets assigned by the responsible departments at higher level, all units must work out monthly and quarterly wage payment plans. Enterprises, with the approval of responsible departments, and institutions and administrative organs, with the approval of the staffing commissions at the same levels, must furnish the relevant banks with the plans and make payments under their supervision. The banks have the right to refuse payment of money in excess of the wage targets set by the responsible departments. If an increase in a total wage target becomes necessary, it should be settled within the prefecture, city, provincial department, and provincial bureau. If the problem cannot be resolved within a prefecture, city, provincial department, or provincial bureau, it should be reported to higher levels in accordance with the relevant procedures. The regulations stipulate that if a unit violates the relevant regulations stipulated by the state and provincial authorities and increases without authorization its wage target beyond the state plan, no bonuses will be given to principal leaders and persons involved in the unit for 3 to 6 months. The banks concerned will also be instructed to deduct from the unit's account the money equivalent to the excessive wage paid and the money converted from the material objects issued and then submit the money to the state treasury. Judicial organs must punish under the law those who have committed a crime.

/8309
CSO: 4006/1233

MODEL WORKERS' RALLY ENDS, MORE THAN 400 TAKE PART

SK250225 Changchun Jilin Provincial Service in Mandarin 0930 GMT 24 Jul 86

[Summary from poor reception] The provincial rally of representatives of model workers came to a sucessful end amid a ceremonious and enthusiastic though simple atmosphere this afternoon.

During the rally, more than 400 model workers and representatives discussed their experiences in reform and discussed Governor Gao Dezhan's speech. They expressed determination toward making new contributions to fulfill the Seventh 5-Year Plan.

The closing ceremony was held at the auditorium of the provincial guesthouse at 1400. All members of the rally presidium attended the closing ceremony. Vice Governor Liu Shulin presided over the ceremony.

Gao Di, secretary of the provincial CPC committee, gave a speech. He extended warm congratulations to all advanced enterprises and collectives and model workers commended at the rally on behalf of the provincial CPC committee and the government.

The rally concluded amid the magnificent play of the Internationale. After the rally, leading comrades of the provincial party, government and army organs posed for a group photo with the representatives of model workers.

/8309
CSO: 4006/1233

LABOR AND WAGES

JINGJI GUANLI ON ENTERPRISE FLOATING WAGE SYSTEM

HK290629 Beijing JINGJI GUANLI in Chinese No 5, 5 May 86 pp 29-31, 41

[Article by Long Xianying [7893 7359 2503] of the Wuhan Iron and Steel Plant: "Floating of Total Wages in Accordance With Economic Results"--edited by Huang Weilin [7806 0251 2651]]

[Text] The restructuing of the economic system in our country is developing in earnest, and gradual improvements have been made in the reform of the wage system. The circular on the question of wage reform in state-run enterprises issued by the State Council on 5 January 1985 won the hearty support of the leaders of the enterprises and the broad masses of workers. However, there are still some departments and comrades who have reservations in implementing this document. Practice is the sole criterion for testing truth. This article intends to give some views on two aspects.

I. It is perfectly correct for the enterprises to adopt the method of floating total wages in accordance with economic results. Practice in certain units has shown that this method possesses great vitality and is a very important policy for enlivening the enterprises, especially the large and medium-sized enterprises.

In 1984, the Wuhan iron and steel plant trial-implemented the method of allowing total wages to float in accordance with the profit tax submitted to the state, with the approval of the Hubei Provincial People's Government, and this was also reported for recording purposes to the Ministry of Labor and Personnel, Ministry of Finance, and the State Restructuring of the Economic System Commission. The assessed amount of profit tax then was 571.22 million yuan, and total wages were 127.88 million yuan. Under the premise of ensuring that the profit tax submitted to the state would be increased by 7 percent every year, total wages would be increased by 0.75 percent for each 1 percent increase in the tax submitted to the state. If the growth in the profit tax failed to reach 7 percent, total wages would be reduced by 0.75 percent for each 1 percent less. The trial period was 2 years. This method had been formulated before the State Council issued the circular. It complied completely with the spirit of the "circular" and some of its clauses were even stricter than those in the "circular." This trial scored a complete success over these 2 years.

1. The workers' initiative has been vigorously enhanced and this contributed to Wuhan iron and steel plants' fulfillment of the Sixth 5-Year Plan ahead of schedule. Over the last few years, the Wuhan iron and steel plant has carried out a series of consolidations and reforms, among which the wage reform was a significant item. Due to the implementation of the method of allowing total wages to float in accordance with the amount of profit tax submitted to the state, we were able to achieve unification in duties, rights, and privileges. In the course of arranging for production and management plans, the leaders at all levels and the masses have clearly understood their responsibilities and the possible benefits, and thus the broad masses of workers were united in striving for the fulfillment of the Sixth 5-Year Plan. Now, all these targets have been achieved ahead of schedule.

2. We have correctly dealt with the relationship between the state, the enterprise, and the individual worker, and ensured the benefits of the state. During the 2-year trial implementation, total industrial output has grown by 31 percent, profit tax submitted to the state has grown by 46 percent, the labor productivity rate has grown by over 31 percent, and the total retained for wages has grown by 21 percent over the assessed base. The above four proportions are rational. The profit submitted to the state in 1985 had increased by over 200 million yuan over the assessed base, thus ensuring state revenue.

3. Within the limits approved by the state, the enterprise has enjoyed many decisionmaking rights in distribution. Over the last 2 years, and with the approval of the provincial wage reform office, the Wuhan iron and steel plant utilized the increased total wages to improve the system of distribution. The main contents were as follows: a) The wage standard of the plant has been centralized and it was stipulated that the wage standard could always float in accordance with the economic results of the plant. b) The wage system of duty grades was implemented among the cadres, while the wage system of post grades was implemented among the production workers. c) An allowance for length of service was given. d) A normal floating promotion system was established. 3) The economic responsibility system for cadres at all levels and workers has been perfected, enabling the internal distribution system of the plant to play a lever role in speeding up production and business.

4. We have improved labor economy. Since the implementation of the method of allowing total wages to float in accordance with economic results, no wage increase would be given if the plant had to increase the number of personnel, and, likewise, no wage reduction would be effected for a reduction in personnel. This has greatly motivated the enterprise's initiative in tapping labor potential. At the beginning of 1984, the Wuhan iron and steel plant planned to increase its workforce by 1,600 workers, but since the implementation of the method of giving no wage increase for the enlargement of the stablishment, the plan was finally reduced to 900 workers; and by the end of the year, 900 workers had been recruited, and this number was smaller than the personnel reduction in the establishment. Over the last 2 years, the plant has transferred 2,700 workers to the newly commissioned production projects. From 1984 onward, the all-worker labor productivity rate of the Wuhan iron and stell plant has ranked first among the large-scale iron and steel enterprises throughout the country.

5. We have sppeded up the reform in the personnel system. The Wuhan iron and steel plant has carried out a comprehensive reform in the personnel system and has generally pushed forward the tenure system and the appointment system. A large batch of competent cadres has been promoted to leadership posts, and since the implementation of the wage system of duty grades, their wages have floated in accordance with their duties, enabling them to work hard in their jobs. The unification of duties, rights, and privileges has ensured the further launching of the reform in the personnel system.

Actual practice in the Wuhan iron and steel plant has proved that the method of allowing total wages to float in accordance with economic results has speeded up the development of the productive forces, ensured the steady increase of state financial revenue, and gradually improved the livelihood of the workers. In light of this, we should adhere to the notice put forth by the State Council and make improvements in the course of implementation, enabling it to give great inpetus to the enlivening of the large and medium-sized enterprises.

II. We must and can improve the method of allowing the total wages of an enterprise to float in accordance with economic results (referred to hereafter as the floating method) by means of practice, understanding, and practice again, enabling it to better cope with the country's development in restructuring the economic system.

At present, there are definitely some problems in the floating method, which are: 1) Is the floating index to be determined only by the profit tax submitted to the state? 2) There are many factors affecting the economic results of the enterprises, but how to handle the factor of price readjustment and the effect of the different production conditions in different enterprised on the enterprises' economic result? 3) Since the floating method has to be assessed in different districts, how should we carry out comparison of the results and wages between enterprises? 4) How to get rid of the phenomena of protecting current interests, protecting the backward, and rushing for results in the course of assessing the profit tax submitted to the state and the base of the total wages? Only by incessantly solving these problems in the course of implementation can we improve and rationalize the wage reform in the enterprises.

In order to solve the problems in the course of implementation, we must first make clear several questions in the guiding ideology. 1) Remuneration according to labor can only be relative in its actual implementation. It can only be relatively rational and can never be absolutely rational. 2) On the basis of developing production and improving economic results, the workers' wages must grow at a steady rate, and the enterprises must enjoy decisionmaking rights in distribution. 3) Under the premise of planned and proportionate development, and in accordance with the party's principle of proceeding along the road to common wealth, with the differences in the production conditions of enterprises, the floating method can only be implemented to a certain extent. 4) Seek truth from facts and proceed from the reality. We should take the above principles as a base and make further improvement in the floating method in the industrial enterprises. We can summarize all this in one statement: implement a floating method for total wages, based on the industrial departments, which is controlled by different categories and scales and which takes the average per capita profit tax, the ratio of capital to profit tax, and the labor productivity rate as the indexes.

Why should we base things on the industrial departments? The reasons are: 1) A comparison of economic results can only be carried out among the industrial departments. In order that this kind of comparison should better suit the actual situation, we can make different classification among the industrial departments (such as large-, medium- and small-scale iron and steel enterprises and special steel enterprises and so on). Whatever the changes in the prices, readjustments of specific policies, and differences between the enterprises, their influences on the same category of enterprises are roughly the same. 2) This facilitates the state's exercising macroeconomic control over wage standards among various industrial departments and making necessary adjustments. The state can highlight certain key industrial departments and key enterprises in certain periods to give play to the regulatory role of wages. 3) There are advanced, average, backward enterprises in various industrial departments, it is possible to maintain a rough wage balance among various industrial departments and enterprises which are of similar standard, so that wage differences will not be too extreme. Does basing things on the industrial departments imply that we are going to change the present enterprise management system which focuses on the central cities? The answer is no, but we must follow the guiding ideology stressed by the central leading cadres that various departments in charge must carry out enterprise management. The various trades must carry out comprehensive analysis and put forth certain methods of guidance, they must support and guide various districts by means of legislation and communications to achieve the goal of exercising control in accordance with the industrial departments.

Why should we take the average per capita profit tax, ratio of capital to profit tax, and labor productivity rate as the indexes? The reasons are: 1) They reflect the comprehensive economic results of the enterprises. 2) They supplement each other and balance the differences in the production conditions in various enterprises. 3) They can fully reflect the position of the fruits of labor in distribution. The index of the average per capita profit tax and the labor productivity rate reflect the fruits of materialized labor and give consideration to the economy of living labor and the improvement of labor efficiency. When we talk of distribution, we cannot deviate from the assessment of labor volume. In addition to this, we certainly can add one or more other indexes to balance the differences in earnings of the enterprises.

Why should we exercise control by different categories and scales? The purpose of separation into different categories is to reflect differences among various industrial enterprises and to distinguish different economic results in the same kind of enterprises. Control by different categories enables enterprises which have different levels of results to enjoy wage growth at different rates, rates which are being strictly controlled.

How should we carry out control by separation into different categories? First of all, the industrial departments in charge must calculate and announce the average value of the three indexes during the preceding year according to the different categories of enterprises. Second, calculate the current year's values for these indexes in the enterprises themselves. Third, calculate the coefficient of the enterprises' economic results. The formula is as follows:

Coefficient of the enterprise's economic results equals (the enterprise's average per capita profit tax, divided by the average per capita profit tax of the enterprises of the same industry, multiplied by 50 percent) plus (the enterprise's rate of capital to profit tax, divided by the rate of capital to profit tax of enterprises of the same industry, multiplied by 25 percent) plus (the enterprise's labor productivity rate, divided by the labor productively rate of enterprises of the same industry, multiplied by 25 percent).

The reason for enlarging the proportion for the average per capita profit tax in calculating the coefficient of results is to give prominence to the profit tax in order to ensure the state's financial revenue. (The proportions of the three indexes can certainly be adjusted.) Fourth, the state should centrally fix different scales for wage increases in enterprises of the same category, and give consideration to six scales. The design for the growth rate of the total wages is as follows:

Scale	1	2	3	4	5	6
Coefficient of results	below 0.9	0.91-1	1.01-1.10	1.11-120	1.21-1.30	above
Growth of enterprise's results over preceding year	Growth rate of wages					
Growth below 0	0	0	0	0	0	0
1-5 percent	1	2	3	4	5	6
6-10 percent	1.5	3	5	6	8	10
11-15 percent	2	4	6	8	10	12
16-20 percent	2.5	5	8	10	12	14
21-25 percent	3	6	10	12	14	16
26-30 percent	3.5	7	12	14	16	18
Over 31 percent	4	8	14	16	18	20

(The figures in the table are examples only, the growth rate must be precisely calculated.) In enterprises whose coefficient of economic results is 1 above the coefficient of the average value of the same industry, the wage growth should be made faster to encourage the advanced enterprises. However, wage growth should still be below the growth of results. In enterprises whose coefficient is below 1, the wage growth should be slower, because their potential has not yet been tapped, and we must push them in order that they may catch up with the advanced units. Fifth, in the course of ascertaining the rate of wage growth in accordance with the coefficient of the economic results, we must still fix a regulatory coefficient in accordance with the wage standard in order to give consideration to various irrational phenomena in wages left over by history. In enterprises where wages are lower than in other enterprises of the same industry, the wage growth should be improved, and the wage growth should be kept lower in enterprises where the wages are higher than in other enterprises of the same industry. The formula for calculating the regulatory coefficient of wages is as follows:

The regulatory coefficient of the enterprise's wages equals the average wage of enterprises of the same industry divided by the average wage in the enterprise itself.

The growth rate of the total wages of the enterprise itself equals listed growth rate of the total wages multiplied by the regulatory coefficient of wages.

The above method of exercising control by separation into different categories and scales is not only suitable for enterprises of the same category, but can also be applied in regulating the wage relationship between different industries and regulating the wage relationship of local small enterprises.

The floating method for total wages based on the industrial departments which takes the average per capita profit tax, the capital profit tax, and the labor productivity rate as the indexes and which is controlled by different categories and scales has the following advantages:

1. It is beneficial to macroeconomic control. The above method creates a ceiling. The percentage growth rate of wages can be adjusted every year in accordance with the political and economic situation of the state.

2. It can speed up competition among the enterprises. Putting all enterprises of the same category at the same starting point can enable the advanced units to make further advances and enable the backward units to catch up with the advanced ones, thus avoiding the problem of protecting the backward.

3. It can avoid interference by the price factor. The above method can ensure the simultaneous staging of price reform and wage reform. Due to the fact that prices exert a great influence on the workers, it is also necessary to establish the method of allowing wages to float in accordance with the price index.

4. It can avoid the disadvantage of relying one-sidedly on one index, and can make possible a comprehensive assessment of the economic resutls of the enterprises.

5. It can produce a rational wage standard among the enterprises, extending the scales and not creating extremes.

6. The method is simple. It eliminates disputes over the base or the index. It also prevents the phenomenon of higher officials determinign everything on the question of distribution.

7. It can be implemented in an overall way in the large and medium-sized enterprises throughout the country because the central and local departments in charge can firmly master the means of control.

Due to the complicated situation in the country, we should still allow various other methods such as wage percentage per ton of minerals, wage percentage per 100 yuan of production value, and so on.

/6662
CSO: 4006/1250

BRIEFS

RAPID URBAN DEVELOPMENT--China is in the midst of speeding up its urbanization process. The composition of China's population will change markedly. A large number of country population will become urban population. The number of cities and towns will continue to increase. According to ECONOMIC REFERENCE, the proportion of urban population in China has increased from 12 percent a decade ago to 20.35 percent today. The number of cities has increased to 342 from 200. Established towns have reached 7,511. Urban areas account for 20 percent of the total land area of China. It is predicted that the process of urbanization will speed up further in the next few years. The proportion of urban population will continue to grow. The total number of cities will reach 500 while counties and towns will exceed 10,000. Cities will play a more important role in the national economy. /Text/ /Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 22 Jul 86 p 4/ 12228

CSO: 4006/1222

TRANSPORTATION

ANHUI UPGRADES HIGHWAY BUILDING PROGRAM

Hefei ANHUI RIBAO in Chinese 24 Nov 85 p 1

/Article: "Anhui's Highway Building Program Achieves Progress"/

/Text/ During the Seventh 5-Year Plan period the highway building program undertaken in Anhui Province has emphasized the improvement of its higway networks by widening the 15 main highways from Hefei to 16 prefectures and cities and building the two highways linking Pukou with Yezhi and Xuzhou with Tongzhi. This program was proposed by the provincial government at a meeting on highway construction held in mid-November.

In recent years Anhui's highway building program has achieved relatively rapid progress. However, this has fallen behind the development of the national economy, due first to the low standard of the highways and the many natural bends and curves making the roads difficult to accommodate the rising volume of transportation. Second, the poor quality of the highways, coupled with narrow roads and the fact that bridges and tunnels were mostly built in the 1950's and 1960's, are factors responsible for reducing the load-carrying capacity of the highways. Third, the small number of main roads in the province places Anhui the last among east China's six provinces and one city in terms of highway density. It was proposed at the meeting that Anhui's highway building program should put more stress on rebuilding. The 15 main highways linking Hefei with 16 prefectures and cities form the core of the road networks in the province as they connect 17 prefectures and cities with 42 counties. The total mileage is 2,901 km. Beginning this winter and until next spring, 737 km of roadbed extension work will be completed. Starting next year and within the next 2 years, bridge scaffolding work will be completed, with road surfacing scheduled in the following years. When the road extension and consolidation work of all the 15 main lines is completed during the Seventh 5-Year Plan period, these main highways linking Hefei with 16 prefectures and cities will reach Grade 2 road building standard. The east-west section linking Xike with Hefei will be constructed next year. Preparatory work for the preliminary phase is now underway following the completion of surveying and designing work.

12661/12228
CSO: 4006/538

HEBEI REPORTED BUILDING MORE, BETTER ROADS

Shijiazhuang HEBEI RIBAO in Chinese 4 Nov 85 p 1

/Article: "Hebei's Roads Link Rural, Mountainous Areas"/

/Text/ Since early this year, Hebei has been successful in building local roads, with motor traffic now linking up 3,673 villages and townships across the province and 98 percent of the 50,000 administrative villages accessible by motor vehicles or horse-drawn vehicles. Improvement of transportation in the rural areas helps promote the opening up of the mountainous areas and enliven the rural economy.

In the course of building main roads this year, the Hebei Provincial Communication Department has speeded up the development of rural road networks, particularly those linking up the mountainous areas, so as to solve as quickly as possible the problems of inaccessibility in old, established, and poverty-stricken areas. Government departments at all levels also have pitched in their efforts to promote the transportation project by mobilizing the masses in stepping up road construction. According to incomplete figures compiled by various areas during the period from the first 9 months of this year, the masses contributed over 11.7 million work days, completing in that period 7.64 million cubic meters of earthwork and stonework, building and paving over 600 km of roadbeds, laying over 800 km of paved roads and over 200 km of gravel roads. CYL Committees at all levels also cooperated with transportation departments in mobilizing CYL members and young people to build more roads and plant more trees. In addition, they made extensive repairs to over 28,000 km of local highways, amounting to 70 percent of the total highway mileage in the province. In building roads in the mountainous areas during the first 9 months of this year, Hebei completed 1,070 km of lightly paved roads, besides opening to traffic 168 hitherto inaccessible villages in the mountainous areas. It is estimated by yearend over 300 villages in hilly areas will be open to traffic. According to materials provided by the Hebei Provincial Communication Department, counties with well paved local roads include 13 counties.

12661/12228
CSO: 4006/538

END

JPRS-CEA-86-099

28 AUGUST 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-099

28 AUGUST 1986

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Briefs
Industrial Output Value Meets Targets 1

PROVINCIAL AFFAIRS

Anhui Meeting on Financial Work, Land Management
(ANHUI RIBAO, 17 Jun 86) 2

He Zhukang on Talent, Poor Areas, Living Standards
(Henan Provincial Service, 2 May 86) 4

Hubei People's Congress Session Opens 6 May
(Hubei Provincial Service, 6 May 86) 6

Bu He on Fulfillment of Sixth Nei Monggol 5-Year Plan
(Nei Monggol Regional Service, 30 Apr 86) 8

Economic Information Meets in Beijing
(Shandong Provincial Service, 22 Jul 86) 10

Briefs
Nei Monggol Township Enterprises 12

ECONOMIC DEVELOPMENT ZONES

Foreign Investment in Qingdao Economic Zone Set for 1987
(TA KUNG PAO, 7-13 Aug 86) 13

ECONOMIC PLANNING

Guangxi Congress Adopts Revised 5-Year Plan Report
(Guangxi Regional Service, 5 May 86) 14

Symposium Supports Xijiang Industrial Corridor
(Guangxi Regional Service, 21 Jul 86) 16

AGGREGATE ECONOMIC DATA

Heilongjiang Economy Develops Steadily in 6-Month Period
(Heilongjiang Provincial Service, 23 Jul 86) 18

Ningxia Releases Economic Progress Report
(NINGXIA RIBAO, 10 Jul 86) 19

Tianjin Semiannual Achievements in Rural Economy Reported
(TIANJIN RIBAO, 9 Jul 86) 23

Briefs

4 Million Registered Enterprises 24

ECONOMIC MANAGEMENT

Township-Level Financial Control Seen in Shenyang
(XINHUA, 25 Jul 86) 25

Wuhan Banks Promote Flow of Funds, Economy
(XINHUA. 22 Jul 86) 26

West China Minority Area Economic Meeting Concludes
(Xinjiang Regional Service, 23 Jul 86) 27

Briefs

Economic Reform Popular 28
Reform Experience Reviewed 28

FINANCE AND BANKING

Issuance, Management of Stocks Discussed
(Yu Meisun, Cao Wenlian; ZHONGGUO JINGJI TIZHI GAIGE,
No 4, 23 Apr 86) 29

Gold Reserves Face Serious Trade Deficit
(SUNDAY STANDARD, 13 Jul 86) 34

PRC Places Restrictions on Authorized Loan Guarantors
(Paul Sham; SOUTH CHINA MORNING POST, 14 Jul 86) 37

Briefs

Insurance Business 'Booming' 39

INDUSTRY

Industrial Production Shows Jump in June
(XINHUA, 7 Jul 86) 40

Chongqing City's Industrial Production Hits Record High
(Zhao Xiaoci; CHONGQING RIBAO, 6 Jul 86) 41

Hebei Holds Telephone Conference on Industrial Production
(Hebei Provincial Service, 15 Jul 86) 43

Shenyang Mill Cooperates With Iron, Steel Giant
(XINHUA, 25 Jul 86) 45

Yunnan Meeting Urges Improved Industrial Performance
(Yunnan Provincial Service, 21 Jul 86) 46

Briefs

Shanghai Raising Quality Standards 47
Anshan Fights Supply Shortages 47
Hebei Industrial Achievements 47
Guangdong Industrial Growth 48
Cooperation Accord Signed 48

SMALL-SCALE ENTERPRISES

Briefs

Township Enterprises Stressed 49
Heilongjiang Township Enterprises 49

CONSTRUCTION

Briefs

Heilongjiang Local Railway 50

DOMESTIC TRADE

Briefs

Rural Henan Develops Markets 51

FOREIGN TRADE AND INVESTMENT

Soviet Paper Discusses Sino-Soviet Trade
(M. Bureyev; SOTSIALISTICHESKAYA INDUSTRIYA, 13 Jun 86) 52

PRC To Get Daimler-Benz Technology From FRG
(XINHUA, 3 Jul 86) 55

'INTERNATIONAL BUSINESS' Reports Record Exports
(XINHUA, 10 Jul 86) 56

PRC Approves First Joint Venture Finance Company
(Eva To; HONG KONG STANDARD, 22 Jul 86) 57

Foreign Commerce Ministry Official on Joint Ventures Decline
(Pierre-Antoine Donnet; AFP, 30 Jul 86) 59

Tianjin Official on Foreign Investment, Trade
(TA KUNG PAO, 17-23 Jul 86) 61

Nation's Electronics Exports Increase in First Half of Year
(XINHUA, 3 Aug 86) 63

Bidding for Imported Equipment Appears Effective
(Ge Daxing; XINHUA Domestic Service, 21 Jun 86) 64

PRC Seeks Foreign Cooperation for Spare Parts Supplies
(Liu Dizhong; CHINA DAILY, 24 Jul 86) 65

PRC's Export of Farm Machines Breaks Record
(ZHONGGUO TONGXUN SHE, 25 Jul 86) 67

PRC To Boost Textiles Quality To Win Export Sales
(Tian Ying; CHINA DAILY, 6 Aug 86) 68

Liaoning Export Commodity Fair Transactions Successful
(ZHONGGUO XINWEN SHE, 10 Jul 86) 70

More International Fairs Abroad Planned for 1986
(XINHUA, 31 Jul 86) 71

Briefs

Ports To Increase 72
Zhejiang Delegation Visits Poland 72
Sichuan Develops Exports 72
External Economic Cooperation Promoted 73
Fujian's Deposit-Taking Joint Venture 73
Guangzhou To Give Exporters Incentives 73
Gu Mu Meets Hungarian Customs Delegation 73
European Fertilizer Production Contracts 74
Foreign Engineering Projects Signed 74
Tax Agreement With Italy 74
Increased Coal Exports Planned 75
Plant Dividends to Foreign Investors 75
Singapore Petrochemical Exports to PRC 75
Silk Exports 75
Guangxi Textile Exports 76
$716 Million Foreign Contracts, Jan-May 76

SPECIAL ECONOMIC ZONES

Shenzhen Economic Cooperation Projects Cited
(XINHUA, 2 Jul 86) 77

Shenzhen Second Quarter Export Value Up 23.6 Percent
(TA KUNG PAO, 10-16 Jul 86) 79

New Labor Contract System Succeeding in Shekou
(XINHUA, 1 Aug 86) 80

Shekou Economic Zone Seen Developing Favorably
(XINHUA, 4 Aug 86) 81

LABOR AND WAGES

Largest Steel Complex Trains Workers
(XINHUA, 27 Jul 86) 82

Briefs

Service Trades' Share of Employment 84

POPULATION

Fujian Officials Stress Family Planning
(FUJIAN RIBAO, 22 Apr 86) 85

TRANSPORTATION

Improvements in Highway Transport Planned To Aid Ports
(Zhu Ling; CHINA DAILY, 1 Aug 86) 87

PRC Plans To Upgrade Locomotive Production by 1990
(Wu Zhijian; CHINA DAILY, 26 Jul 86) 89

Briefs

Beijing-Tianjin-Tanggu Expressway 91
Anhui, Zhejiang Rail Link 91

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

XINHUA 'Analysis' of Ceausescu Visit to USSR
(XINHUA, 16 May 86) 92

Briefs

Iran Official Leaves for Moscow 94
Polish Managerial Systems Improvements 94

TAIWAN

President, Premier Discuss Foreign Exchange
(CHINA POST, 25 Jul 86) 95

Briefs

Economic Relations Enhanced 96
Currency To Be Stabilized 96

HONG KONG

Hong Kong Increases Share of PRC's Imports
(John Blanton; SOUTH CHINA MORNING POST, 17 Jul 86) 97

CITIC Proposes Setting Up First Bank in PRC
(Eva To; HONG KONG STANDARD, 15 Jul 86) 99

Everbright To Expand Into Financial Services, Other Areas
(Olivia Sin; SOUTH CHINA MORNING POST, 15 Jul 86) 101

Briefs

CITIC's Ka Wah Bank Confident 103
Computer Systems Bring Fine 103

/9986

NATIONAL POLICY AND ISSUES

BRIEFS

INDUSTRIAL OUTPUT VALUE MEETS TARGETS--Beijing, 27 July (XINHUA)--China's industrial output value is able to meet its target of "ensuring seven percent and striving for eight percent increase" this year, according to an official of a leading economic department here. In an interview released today, the official said the industrial output value was 79.4 billion yuan in June and more was expected for the next months since the strain of circulating funds has been eased, the scale of fixed assets investment is expected to be controlled more effectively and the supply of energy and materials is sound. Whereas, an average monthly output value of 75.9 billion yuan should be fulfilled in the late half of the year for the target of seven percent annual increase and 77.3 billion yuan for eight percent target. [sentence as received] Noting that industrial output value went up 4.9 percent in the first half of this year, people from the economic circles hold that the rate is not small in view of the absolute figure of increase. It is learned that Chinese economic departments will do their utmost to raise economic efficiency in the remaining months of the year. [Text] [Beijing XINHUA in English 0549 GMT 27 Jul 86 OW] /12858

CSO: 4020/398

PROVINCIAL AFFAIRS

ANHUI MEETING ON FINANCIAL WORK, LAND MANAGEMENT

OW020417 Hefei ANHUI RIBAO in Chinese 17 Jun 86 p 1

[Excerpts] The 6th Anhui Provincial People's Congress Standing Committee opened its 23d meeting on the morning of 16 June. Chairman Wang Guangyu presided over the meeting.

At the morning session, on behalf of the provincial people's government, Yang Lianzhu, director of the provincial Finance Department, and Shi Jin, deputy director of the provincial Urban and Rural Construction and Environmental Protection Department, respectively made a work report on the 1985 tax, finance, and commodity price general inspection and a report on land management in Anhui.

Yang Lianzhu said: In compliance with the state Council Circular on approving and transmitting the Finance Ministry's report on launching a general inspection on tax and financial affairs" and arrangements made by the provincial people's government, a tax, finance, and commodity price general inspection was carried out in Anhui. During the inspection, widespread tax evasion and serious violations of financial, economic, and price regulations were uncovered. From now on, we must do things strictly according to law; improve the legal system; step up regular supervision and inspection; replenish and improve the quality of the contingent of law enforcement personnel; and further raise the political awareness and professional competence of law enforcement cadres and finance and accounting personnel.

On land management work, Shi Jin said: Owing to construction of nonagricultural projects in rural towns and improper land management, Anhui's farmland area has continued to decrease. In recent years, governments at various levels and departments concerned in Anhui have conscientiously implemented relevant state and provincial regulations governing land management, thereby basically institutionalizing land requisition for state construction and bringing rural housing construction under control. In order to further improve land management, it is necessary to step up publicity; thoroughly review land utilization for nonagricultural projects; set up and improve land management offices; strictly observe application and approval procedures for land requisition; and perfect land management legislation. It is also necessary to accelerate planning for land utilization, continuously revise urban and rural construction plans, and introduce the contract system in land requisition.

On the afternoon of 16 June, the members examined director Yang Lianzhu's report.

Vice chairman of the Provincial People's Congress Standing Committee Su Yu, Su Hua, Wei Xinyi, Zheng Rui, Zhao Minxue, Ying Yiquan, Kang Zhijie, Du Weiyou, Zheng Huaizhou, and Chen Tingyuan attended the meeting. Attending the meeting as observers were Zhang Dawei, vice governor of the Provincial People's Government; Wang Changle, president of the Provincial Higher People's Court; and Feng Jianhua, chief procurator of the Provincial People's Procuratorate.

/12913
CSO: 4006/1235

PROVINCIAL AFFAIRS

HE ZHUKANG ON TALENT, POOR AREAS, LIVING STANDARDS

HK030057 Zhegzhou Henan Provincial Service in Mandarin 1030 GMT 2 May 86

[Excerpts] Governor He Zhukang said in her report on the Seventh 5-Year Plan: Henan is not backward in material resources but in its lack of modern science and technology and of talented people with a grasp of modern management methods. Unless this situation is completely changed, Henan will always lag behind the others. To transform this situation, we must work hard to tap sources of talent. We must make efforts in three aspects:

1. We must make full use of the existing talented people, and permit their reasonable mobility. We must actively solve difficulties in intellectuals' daily life, work, and study, and ensure that there is a proper place for every person with ability, political integrity, and genuine talent.

2. We must work hard to train talented people by vigorously developing education. The growth in education spending during the five years will be higher than the growth in financial revenue. During the period we should train 150,000 adult college graduates, 100,000 graduates of ordinary tertiary institutes, and 430,000 graduates of secondary technical schools. We must vigorously implement the law on compulsory education. We should have basically introduced universal primary education by 1990.

3. Formulate practical methods of hiring talented people, and attract talented people of all types from home and abroad.

He Zhukang stressed: The province must take effective steps to transform the backwardness of poor areas as soon as possible, and ensure that the average income in these areas by 1990, or a bit longer, reaches the provincial average figure for 1985. Transforming the poverty and backwardness of old revolutionary bases, certain mountain areas, and disaster areas is an extremely arduous task. We must tangibly implement the policies for supporting poor areas and help these areas to get rich as soon as possible.

He Zhukang said in his report: We must strictly control population growth during the Seventh 5-Year Plan and continually improve material and cultural living standards in urban and rural areas throughout the province.

He said: The average natural population growth during the five years should be 10 per 1,000. The province's 1990 population should not exceed 81.23

million. Planned parenthood work must be focused on the rural areas. We must adopt practical measures to prevent the birth of a second or further child not covered by the plan.

We must continue to improve living standards during the Seventh 5-Year Plan. Average peasant net income should reach 500 yuan by 1990, rising at an annual average of 8 percent. Real wages of workers in units owned by the whole people should rise at an annual average of 4 percent. We must also do a good job in providing jobs for the newly-grown labor force.

He stressed: we must regard environmental improvement as an important aspect of improving urban and rural living standards.

/12913
CSO: 4006/1251

HUBEI PEOPLE'S CONGRESS SESSION OPENS 6 MAY

HK070227 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 6 May 86

[Excerpts] The fourth session of the Sixth Hubei Provincial People's Congress opened in the Hongshan Hall in Wuchang today. Executive Chairman Han Ningfu declared the session open at 0900.

Acting Governor Guo Zhenqian delivered a report on the draft of the Seventh 5-Year Plan for economic and social development in Hubei. The report was in three parts: 1) The execution of the Sixth 5-Year Plan; 2) The basic tasks and main measures for the Seventh 5-Year Plan; 3) Vigorously step up the building of socialist spiritual civilization and legal system.

He said: In the past five years, the people of the province have seriously implemented the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee and fulfilled and overfulfilled the tasks and main targets for the Sixth 5-Year Plan which were approved by the fifth session of the Fifth Provincial People's Congress.

He said: The basic tasks and main measures for the province during the Seventh 5-Year Plan are as follows:

1. Carry out in depth reform of the economic structure, harmonize the various economic relationships, and promote sustained, steady, and coordinated development of the national economy.

2. Strictly control the size of investment in fixed assets, readjust the investment structure, concentrate finance and materials for key construction projects, and strengthen the reserve capacity for economic development.

3. Continue to rely on the policies and on science to strengthhten the agricultural foundation. We must develop our strong point in grain, stabilize our strong point in cotton, vigorously develop township enterprises, give free rein to promoting diversification, and promote the healthy development of the rural economy.

4. With the main aim of improving product quality and reducing material input, we must strengthen enterprise management and stimulate technological progress. Under the premise of improving economic results, we must maintain an appropriate growth rate in industry.

5. Vigorously expand foreign trade, strengthen the ability to earn foreign exchange through exports, and actively promote external economic and technological cooperation.

6. Assign an important position to the progress of science and technology and to exploiting brain-power. We must speed up the development of science, technology, and education.

7. Develop literature, arts, radio, television, journalism, publishing, public health, and physical culture, so as to stimulate the masses' revolutionary spirit.

8. Make all-round arrangements for production, construction, and the people's livelihood. We should further improve the material and cultural living standard in the urban and rural areas on the basis of developing production and improving economic results.

In part three of his report, Guo Zhenqian stressed that vigorously stepping up the building of spiritual civilization is related to the future and the orientation of the four modernizations drive, and expresses the basic characteristics of China's socialist construction.

The opening ceremony of the session was attended by leading comrades of the provincial CPC Committee, Advisory Commission, Government, CPPCC, Disciple Inspection Commission, and military district Guan Guangfu, Huang Zhizhen, Li Wei, Zhao Fulin, Wang Qun, Qian Yunlu, Zhang Xueqi, Liu Huinong, Li Erzhong, Liang Shufen, Wang Hanzhang, Wang Libin, Duan Yongkang, Xu Penghang, and Chen Ming.

/12913
CSO: 4006/1251

PROVINCIAL AFFAIRS

BU HE ON FULFILLMENT OF SIXTH NEI MONGGOL 5-YEAR PLAN

SK011238 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 30 Apr 86

[Text] In his report on the draft Seventh 5-Year Plan, Chairman Bu He said: Thanks to the concerted efforts of the people of various nationalities throughout the region, the major targets of the national economic and social development of the Sixth 5-Year Plan, which started in 1981, and which reflected, in an all-round manner, the principle of readjustment, restructuring, consolidation, and improvement as set forth by the CPC Central Committee, have been fulfilled or overfulfilled. The overall implementation of the plan has been very good, the national economy has been developed in a sustained, stable, and coordinated manner, and new progress has been achieved in economic construction.

During the Sixth 5-Year Plan period, the major changes and conspicuous characteristics of the regional economic and social development were as follows:

1. This period witnessed the fastest development of agricultural and animal husbandry production since the founding of the PRC, and the production structure became more rations. During this period, a historical success was won in the first step of the reform in rural and pastoral areas, and the second step of the reform was initiated smoothly. A socialist new style of operational system characterized by family-based operations and double contracts of grassland and livestock, which is compatible with regional characteristics, is being established, thus effectively stimulating the development of productive forces. The 1985 agricultural output value reached 6.393 billion yuan, showing a 78.8 percent increase over 1980, and an annual increase of 12.3 percent, which greatly exceeded the annual growth of 2.16 percent between 1952 and 1980.

2. Industry was developed in a stable and coordinated manner in the course of readjustment and restructuring, and its economic results improved markedly. The regional 1985 industrial output value reached 9.51 billion yuan, showing a 61.5 percent increase over 1980, and an annual increase of 10.1 percent, which greatly surpassed the goal of guaranteeing a 4 percent growth and striving for a 5 percent growth as set forth in the Sixth 5-Year Plan. Most of the targets for the output of major industrial goods were prefulfilled. New achievements were also scored in transportation, posts and telecommunications, geology, supplies, and mapping, which played a good role in economic construction.

3. Domestic and foreign trade grew substantially, and urban and rural markets were unprecedentedly brisk. During the Sixth 5-Year Plan period, the growth rate of regional commodity retail sales was accelerated; the market situation characterized by insufficient supplies and obstructed commodity circulation, which had existed for many years, improved gradually; and an open, multichannel market system with fewer intermediate links and manifold economic sectors is being established. During this period, the autonomous region noticeably enhanced its capacity for foreign trade, and enabled nearly 300 kinds of its key traditional commodities to enter the international market.

4. Revenues increased in a steady manner, and the region's economic strength was enhanced. In 1985 the regional local revenues reached 1.13 billion yuan, exceeding the region's previous highest record, and showing a 170 percent increase over the 1980 figure, which was greater than the growth rate of the industrial and agricultural output value of the same period. In this way, the revenue target as set forth in the Sixth 5-Year Plan was prefulfilled by two years. The situation is financial expenditures was normal.

5. On the basis of developed production, the people's living standards improved markedly. According to a sample survey, the peasants' per-capita net income in 1985 was 360 yuan, nearly 100 percent over 1980, and the herdsmen's per-capita net income was 650 yuan, 145 percent over 1980. The Sixth 5-Year Plan period marked a period with the fastest growth in herdsmen's per-capita income since the founding of the PRC. Urban staff members and workers had their wages and adjusted extensively, and more people were employed, enabling workers' households to increase their total income. In workers' households, the per-capita annual cost of living totaled 669 yuan, showing an 85.8 percent increase. When the rises of commodity prices were factored in, the increase was 55 percent.

6. The proportion among the major sectors of the economy became basically balanced, which played a positive role in guaranteeing a stable and healthy economic development.

7. Science and technology and education became key areas of economic and social development, and their relations with economic construction were brought into better balance. New progress was also achieved in culture, health, family planning, press, radio and television broadcasting, publication, and sports, which played a positive role in building the two civilizations.

8. In carrying out capital construction, efforts were concentrated on key projects, thus enhancing the strength for economic development. During the five years, the capacity of power generating equipment increased by 1.215 million kilowatts, and that of coal production by 7.96 million tons; 543.2 km of double-track and main railways were laid; 498 km of roads were built; and 286 km of roads were renovated. In short, the general fulfillment of the Sixth 5-Year Plan has been satisfactory, and much better than we expected.

/12913
CSO: 4006/1251

PROVINCIAL AFFAIRS

ECONOMIC INFORMATION MEETS IN BEIJING

SK230331 Jinan Shandong Provincial Service in Mandarin 2200 GMT 22 Jul 86

[Text] On 22 July, the Shandong Provincial People's Government held an information exchange meeting in Beijing with the participation of various provincial, municipal, and regional offices stationed in Beijing. Attending the meeting were responsible comrades of the State Council's Economic Research Center, the State Planning Commission, the State Economic Commission, the Ministry of Textile Industry, the Ministry of Chemical Industry, the Ministry of Machine-Building Industry, the Ministry of Light Industry, the State Bureau of Materials and Equipment, the China National Petrochemical Corporation, and the departments concerned and the press units in Beijing, more than 100 persons in all.

Ma Zhongchen, vice governor of Shandong Province, presided over and addressed the meeting. He announced 10 preferential policies adopted by the Shandong Provincial People's Government for developing lateral economic integrations with other provinces. Responsible comrades of the provincial Economic Commission, the provincial Planning Commission, and the provincial Economic Cooperation Office respectively briefed the meeting participants on the province's current economic situation, the favorable conditions in various fields, the priorities of the development of the national economy during the Seventh 5-Year Plan period, and the situation of further strengthening the information exchange and developing lateral economic integrations.

The meeting pointed out: Shandong has always been referred to as north China's storehouse of grain, cotton, and edible oil and the home of fruits. The province ranks first in China in the output of peanut, cotton, fruits, and gold, and has joined the ranks of the nation's best in the output of wheat and corn. The province also has abundant underground mineral resources with a satisfactory variety of minerals. In addition, the long history and the splendid culture of the province promise a bright prospect for developing the tourist trade.

During the Seventh 5-Year Plan period, our province will regard as priority the development of agriculture and the consumer goods industry in the development of the national economy as a whole; and will, at the same time, vigorously develop the energy, transport, and communications industries with an aim to score a yearly average increase of 7 percent, or higher, in the gross national product, the gross industrial and agricultural output value, and the national income. To fulfill these goals, not only should we continue to place the economic reform before everything else, but should also penetratingly develop the lateral economic associations. During the Seventh 5-Year Plan period, our province will vigorously develop economic associations with other provinces, and many associations of enterprises, with the large and medium-sized enterprises as the backbone and centering on the brand-name and better-quality products. Therefore, we hope that enterprises in various provinces municipalities, and regions, as well as various colleges and universities throughout the country will cooperate with our province in conducting scientific research, developing production, or transferring scientific and technological achievements. Our province will implement preferential policies in many fields towards those provinces, municipalities, regions, and units that come to our province to participate in lateral economic associations. At the same time, the meeting provided 132 economic and technological cooperation items for the various provinces, municipalities, and regions to choose.

Liu Zhongyi, vice minister of the State Planning Commission, Feng Jixin, director of the trustee council of the Economic Information Network of the State Economic Commission; and Zhang Pan, deputy director-general of the economic Research Center of the State Council, attended and addressed the meeting. They expressed their congratulations on the holding of this meeting, and pledged to give vigorous support to the province's economic reform and the development of the national economy in the future.

/12913
CSO: 4006/1251

BRIEFS

NEI MONGGOL TOWNSHIP ENTERPRISES--Township enterprises in Nei Monggol achieved new development in the first half of this year. According to initial statistics of the relevant regional departments, the output value of the township enterprises throughout the region reached 800 million yuan in the first half of this year, showing an increase of 26.2 percent over the corresponding period of last year. [Excerpt] [Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 13 Jul 86 SK] /12913

CSO: 4006/1251

ECONOMIC DEVELOPMENT ZONES

FOREIGN INVESTMENT IN QINGDAO ECONOMIC ZONE SET FOR 1987

HK070741 Hong Kong TA KUNG PAO in English 7-13 Aug 86 p 5

[Text] Qingdao Economic and Technical Development Zone will be partially opened for foreign investment some time next year when the construction of the infrastructure now underway to improve its investment environment is completed, according to CHINA ECONOMIC NEWS published in Hong Kong on 28 July.

By the end of last June, the zone had already finished its 12-km road and piping network and the initial construction of the 36.5-km water-mains running from the Tieshan Reservoir at Jiaonan at the zone. The reservoir can supply 20,000 tonnes of water everyday.

Another finished infrastructure project is a 7 km, 1500-kilowatt temporary transmission line which is now supplying electricity for trial production of a number of foreign-invested enterprises. The designing work for the permanent 110-kilovolt transmission line and substation has been completed and its construction will be started some time this year.

The zone's telephone connection with the old downtown area and with overseas or domestic destinations has been established. Other communication facilities like a telex service for international business contacts has been opened to users and the installation of a microwave communication system and some 2,000 sets of digital telephones will be finished before year-end.

The construction of factories has been underway simultaneously. The zone currently has a built-up area of 76,000 sq metres. Two general-purpose plant buildings covering an area of 34,000 sq metres, one industrial warehouse and several other factory-buildings have been built. The main complexes in the commercial and residential districts have been completed and commissioned for use one by one while two others--the Zhushan Guest House and the Hualin Mansion--will be completed within this year.

Following the accelerated development in the Qingdao zone, more than 320 groups of businessmen from 23 countries or regions have paid visits since the zone was opened in March last year. Over 60 proposals, agreements or memoranda and seven contracts have been signed. It is expected that a dozen or so projects will be carried out some time next year.

/8309
CSO: 4020/410

GUANGXI CONGRESS ADOPTS REVISED 5-YEAR PLAN REPORT

HK061319 Nanning Guangxi Regional Service in Mandarin 1000 GMT 5 May 86

[Text] The Fourth Session of the Sixth Regional People's Congress adopted the report of Wei Chunshu, chairman of the Regional People's Government, on the outline of the Seventh 5-Year Plan. The report, delivered by Chairman Wei Chunshu in its original form at the opening ceremony of the session on 25 April, has been revised and augmented in various areas. The revisions and augmentations were made following suggestions proposed by the deputies in their discussions. There are six major revisions in the report, mainly involving agriculture, energy resources, family planning, the building of spiritual civilization, and policies toward intellectuals.

During group discussion, many deputies acted in the light of the present situation and problems in agricultural production, and urged the government to strengthen leadership over agricultural production and to grasp well the presently weak link of grain production. In line with this suggestion, one of the major tasks of the revised report on the Seventh 5-Year Plan is to greatly strengthen the work concerning the base of agriculture. The revision stresses that we should restore and run well the bases of cash crop production. We should make full use of arable land to improve the index of growing multiple crops. We must attach great importance to protecting the ecological environment of agriculture, while taking preventive measures against plant diseases and pests.

SEcond, in the course of discussion, many deputies noted that the mountainous landscape of the region gives scope for the development of forestry. At present, there are serious problems of excessive timber cutting and soil erosion. Therefore, the revised report added a section saying that we should further implement the three fixes in forestry industry and do well in afforestation and growing trees on barren hill slopes. We should greatly develop the timber, economic, water conservancy and fuel forests, while perfecting the management system of forests.

Third, the deputies discussed the fact that during the Seventh 5-Year Plan period, the region will not have sufficient electricity. Furthermore, the region did not attach great importance to the development of small hydroelectric power stations over the years. Because of this, the revised report says that in order to solve the problem of insufficient electricity supply, we must strengthen the building of local power generation facilities.

In particular, we must actively develop the building of small hydroelectric and thermal power stations.

Fourth, many deputies thought that the region faced a shortage of qualified personnel, with many of them having gone to other places. Some of them were assigned to inappropriate posts. They therefore urged the authorities to adopt measures to improve this situation. Therefore, the revised report says: We must further implement the policies toward intellectuals and make appropriate arrangements for qualified personnel, so as to provide them the conditions for studying and improvement and to fully mobilize their initiative.

Fifth, on the issue of family planning, the deputies responded enthusiastically. They urged that, during the Seventh 5-Year Plan period, we adopted effective measures to do this work well. The revised report pointed out: To strive to control the population growth is of strategic significance in the area of quickly helping the region improve the economic situation. The revised report added that we must strengthen propaganda, education, supervision and examination activities. We must maintain the supply of tools and medicine, and strictly check the tendency to have additional children.

Sixth, in keeping with the requirement of deputies, the revised report added the following points in the area of strengthening the building of socialist spiritual civilization: We must strengthen our supervision over audio and video tapes, tabloids and journals. We must carry out healthy recreational activities, while restoring and developing the wired broadcast services in the rural areas.

There are also other major revisions in the report. On the guiding ideology and principle of the Seventh 5-Year Plan, the revised report added the guiding ideology and principle of being united and emancipating our minds. On changing the supervisory functions of government, the revised report advocates strengthening the building of organizations at grassroots and giving full play to their roles.

On the issue of helping the poor, the revised report added: We must strengthen the building of the border area. On the planning of the region's economic construction, the revised report said that the eastern part of the region should actively support the building and development of the western part. It should strengthen the economic links to, and cooperation with the western part.

The deputies were satisfied with the democratic atmosphere of the session, as well as the practice of the regional people's government, which fully respected the opinions of the people's congress and carefully revised the report.

/12913
CSO: 4006/1235

SYMPOSIUM SUPPORTS XIJIANG INDUSTRIAL CORRIDOR

HK230709 Nanning Guangxi Regional Service in Mandarin 1000 GMT 21 Jul 86

[Text] According to GUANGXI RIBAO, over 100 specialists, scholars, and professors held a symposium in Beijing on 19 July to discuss how to exploit and build the Xijiang industrial corridor. CPPCC Vice Chairman Lei Jieqiong, famous economists Yu Guangyuan, Ma Hong, and Tong Dalin, and responsible persons of some central departments also attended the symposium.

The Xijiang Corridor includes Guangdong's Zhaoqing Prefecture, Guangxi's Yulin Prefecture, Wuzhou Prefecture, and Wuzhou City. In order to build regional economic cooperation networks and strengthen lateral ties, the three prefectures and one city of the Xijiang corridor have proposed breaking bounds of different administrative areas and put forth a tentative plan to establish the Xijiang industrial corridor. This tentative plan has evoked much attention from the relevant departments of the state and many specialists and scholars.

When leading the Zhujiang water conservancy economy investigation group to inspect Guangdong and Guangxi in January this year, Yu Gaungyuan invited responsible comrades of the three prefectures and one city on both sides of the Xijiang and of the Jianghua Yao autonomous county of Hunan Province to discuss strategies for developing this area.

The southeastern Guangxi economic and technological cooperation committee and the Xijiang corridor economic cooperation committee have now been established in the Xijiang corridor area. The current Beijing symposium on strategies for developing the Xijiang corridor was proposed by Yu Guangyuan. Authoritative persons and well-known figures from the theoretical circles of natural and social sciences attended the symposium. They held scientific and serious discussions on building the Xijiang industrial corridor. They believed that the Xijiang corridor, which occupies a good geographic position and has excellent natural conditions, is a treasured land. Building the Xijiang industrial corridor will not only speed up and invigorate economic development in Guangdong and Guangxi's backward areas and in the southwest, but will also play an important and far-reaching role in breaking the separated and closed economic pattern, in developing local diversified economy according to economic laws, and in opening up to the outside world in various forms.

Many of the participating specialists and scholars conducted on-the-spot investigations in the Xijiang Basin area. According to their first-hand information, they made brilliant expositions on exploiting and building the Xijiang area in a scientific way and put forth many valuable proposals, which greatly inspired the comrades from the three prefectures and one city. They said that after returning to their own places, they will attach importance to the specialists' proposals, strengthen cooperation, and properly build the Xijiang corridor.

/12913
CSO: 4006/1235

HEILONGJIANG ECONOMY DEVELOPS STEADILY IN 6-MONTH PERIOD

SK240135 Harbin Heilongjiang Provincial Service in Mandarin 2100 23 Jul 86

[Text] According to the data provided by the provincial Statistical Bureau, for the first half of the year, the province's national economy witnessed steady development during the course of reform and the economic situation was fair. But there were still some problems which merit our attention.

During the first half of the year, the province fulfilled its annual target for total industrial output value by 48.3 percent, up 4.6 percent from the corresponding period last year. The agricultural production structure was readjusted continually. The area sown with grain, soybean, and tubers totaled 109.99 million mu, up 1.6 percent over the last year. The acreage containing high-yield crops increased substantially, playing an important role in stabilizing the province's grain output. The scale of capital construction was brought under control, and the investment structure in this regard was readjusted to some extent. The amount of commodities purchased sustained their increase, and market sales were stable. The credit situation was good, more currency was withdrawn from circulation, and foreign trade developed rapidly.

During the first half of the year, the major problems in the province's national economy were as follows: the slow increase rate in industrial production at the beginning of this year made it very arduous to fulfill the annual target of increasing the total industrial output value by 7 percent; economic efficiency was not good enough; the product mix was unsuitable to the consumption structure; the financial revenues reduced somewhat; and the expenditures increased substantially.

/12913
CSO: 4006/1235

AGGREGATE ECONOMIC DATA

NINGXIA RELEASES ECONOMIC PROGRESS REPORT

HK270945 Yinchuan NINGXIA RIBAO in Chinese 10 Jul 86 p 1

[Report by the Regional Statistical Information Center: "The Ningxia Regional Statistics Bureau Hold a Press Conference To Announce the Fulfillment of Major Indexes of the National Economy in the First Six Months of 1986 and a Forecast of the Economic Situation in the Next Six Months"]

[Text] On 8 July, the regional statistics bureau held a press conference to announce the fulfillment of major indexes of the national economy in the first half of 1986 and a forecast of the economic situation in the second half of the year. Some 200 people including leading comrades of the regional statistics bureau and the departments and other bureaus concerned and representatives from the departments, units, and universities and colleges concerned attended the conference.

The spokesman announced, among other things, the fulfillment of the economic indexes in the first six months of the year.

1. A bumper harvest in summer grain crops is in prospect. Since the beginning of this year, leaders at various levels throughout the region have conscientiously implemented the spirit of the Central Document No. 1, further readjusted the structure of the rural economy, attached importance to grain production, and adopted various measures, thus enhancing the enthusiasm of the vast masses of the peasants for planting grain crops. This, coupled with fairly favorable climatic conditions, has helped summer grain crops do better than last year. Grain output is expected to approach the 1984 bumper harvest level. The region's summer grain output reported level by level up is estimated to be 700,000 tons or an increase of 9.3 percent over the previous year, with the per mu yield averaging 135.5 kilograms or 5.4 percent more than last year. Generally speaking, grain production in irrigated areas is better than last year, approaching the 1984 level of a bumper harvest, but grain production in mountainous areas is lower than the previous year.

With the implementation of policies and the readjustment of the structure of agricultural production, diversified undertakings in the rural areas have vigorously developed. Industrial crops, such as oil-bearing crops, are doing well. The number of large animals is steadily increasing. Many more farmers have turned to cattle-raising. Sheep are put on the market more quickly. The number of sheep in stock at the end of June will top that in the same period last year. Better economic results have been attained in forestry production. More peasant households are taking up fish farming.

2. Industries have steadily developed. Stimulated by the economic structural reform in cities, industrial enterprises have exploited their strong points, developed lateral relations, and vigorously expanded industrial production in line with the region's characteristics. The total industrial output value accumulatively created in the first six months of the year amounted to 1,173.94 million yuan, 92.55 million yuan more than the same period of last year or up 8.8 percent. In other words, 49.7 percent of the annual plan has been fulfilled. Of the 43 major industrial products assessed by the region's statistics bureau, with the exception of 14 products whose output dropped, the output of 26 products was up from the same period of last year. The production tasks of over 50 percent of products have been fulfilled as scheduled in the annual plan. The output of light industrial items, such as cotton yarn, cigarettes, woollen blankets, leather shoes, machine-made paper, glassware for everyday use, beer, and dairy products, increased on the average by 20 percent or more. Electric energy production was up 27.8 percent. Thanks to ample power supplies, the production of products which consumed large amounts of energy, such as pig iron, metal products, ferroalloy, aluminum, calcium carbide, and caustic soda increased by a wide margin. However, the production of slow-selling goods whose supply exceeded demand and relatively poor-quality products dropped by a fairly big margin. The output of machine tools and hand-held tractors decreased by 12.5 percent and 43.2 percent respectively as compared with the same period of last year.

The region's industrial growth rate in the first half of this year was 8.8 percent, one of the top ten in the country. The rate is basically commensurate with the region's current production capacity and market conditions.

3. Investment in fixed assets has increased and investment patterns have been readjusted. When investment in local capital construction projects was curtailed, the region's investment in capital construction amounted to 310 million yuan, fulfilling 41.5 percent of the figure prescribed in the plan. [Word indistinct] investment in projects involved in equipment replacement and technological transformation is estimated to reach 50 million yuan. This year's capital construction investment is characterized by less investment in local projects, readjusted investment patterns, and improved returns on investment as compared with the same period of last year.

4. Business in the markets is brisk and financial revenues and expenditures are in good shape. From the beginning of this year, with the developed production and increased income of staff members and workers, the purchasing power of the residents in the region has kept on rising. The total amount of commodities purchased in the region in the first half of the year is estimated to reach 423 million yuan, up 22.3 percent from the same period of the previous year.

The retail sales volume of social commodities throughout the region in the first six months is estimated to amount to 800 million yuan, up 15.4 percent over the same period of the previous year. The characteristics of this year's commodity retail market are as follows: 1) The retail trade transactions in rural markets have increased. The volume of transactions in foods, such as meat, eggs, honey, aquatic products, vegetables, and fruit in the first six months constituted more than half of the total sales volume of society. 2) More and more people are fashionably dressed. 3) People are more choosy in buying durable consumer goods. The number of consumers ready to buy imported color television sets, twin-tub washing machines, refrigerators, and famous-brand bicycles has grown.

Financial revenues and expenditures have increased in a coordinated way. The region's financial revenues between January and May of this year came to 149.85 million yuan, up 16.9 percent against the corresponding period of the previous year, or fulfilling 44.3 percent of the annual budget, a growth and fulfillment rate higher than the nation's average growth rate.

By the end of May, the region's financial expenditures had reached 368.37 million yuan, up 21.4 percent over the same period of last year, fulfilling 35.7 percent of the annual budget or an increase of 72.95 million yuan, which was mainly used in tapping potential and carrying out technological transformation in enterprises, tackling key technological problems, and in education. Taking it as a whole, the fulfillment of the income and expenditure budget is fairly satisfactory.

5. The volume of savings deposits of the urban and rural population continues to grow. At the end of May, it amounted to 895.33 million yuan, 91.8 million yuan more than the yearend figure of last year, or up 11.4 percent. This is an indication of another increase in the income of the region's urban and rural residents and a continued improvement in living standards.

The spokesman pointed out: While the region's economy is moving forward healthily, there are still some problems confronting its economic work. Among other things, the economic results in the industrial sector are not satisfactory. The main indication of this is that production [words indistinct] are not soundly dovetailed. The region's total industrial output value between January and 1 May increased by 8.9 percent but the budgetary total output value of industrial enterprises was only 5.7 percent higher than the same period of last year. Their income from product sales was up 4.1 percent and the production-marketing rate was just 91.7 percent calculated on the current total output value price.

Second, of the local capital construction projects, the number of delayed projects is quite big and the investment in capital construction outside the plan is increasing steadily.

Third, the contradiction between market supply and demand in commodities has considerably broadened in scope. While commodities with a booming sale are in short supply, unsalable commodities are stockpiled.

In conclusion, the spokesman made a forecast of the region's economic situation in the second half of the year. According to an analysis of the region's national economic development in the first six months, this year's annual output of grain is expected to be about 1.5 million tons and that of oil-bearing crops to reach the 1985 level. The number of large animals as well as sheep and pigs in stock and the likely output of meat will all exceed the 1895 levels. A total industrial output value of 2.36 billion yuan will be fulfilled according to the plan. The output of most major products will be fulfilled as scheduled. Investment in capital construction may possibly be about 10 percent higher than the original plan. The range of increased retail price indexes will be strictly kept under 5 percent. The people's disposable income will continue to increase and their living standards will continue to improve. Overall, so long as the central authorities' policies and principles are implemented in a down-to-earth way, the pace of reform is quickened, measures are suited to local conditions, and practical results are stressed, there will be a new comprehensive development in the region's national economy this year.

/12913
CSO: 4006/1235

TIANJIN SEMIANNUAL ACHIEVEMENTS IN RURAL ECONOMY REPORTED

SK210948 Tianjin TIANJIN RIBAO in Chinese 9 Jul 86 p 1

[Text] According to the information provided by the municipal meeting to analyze the rural economy which ended on 7 July, in the first half of this year, the total industrial and agricultural output value of the suburban counties of our municipality increased by 12.5 percent over the corresponding period of last year, and a good trend of steady development emerged in all trades.

This year, the municipality reaped an unprecedently bumper harvest in summer grain, with the total output surpassing 450 million kg, a 5 percent increase over last year. The average per-unit yield of summer grain has surpassed 200 kg for the first time. Now the autumn grain is coming along well.

In the first half of this year, the vegetable-growing areas were stable, output from the fields under protection increased, and the sales volume of vegetables increased by 38 percent over the corresponding period of last year. By the end of June, the water area for freshwater fish-farming reached 260,000 mu, and the marine products breeding area reached some 48,000 mu, both showing a 20 percent increase over the corresponding period of last year. The number of fishing boats increased by more than 100, and fishing nets and tackle by 50,000 pieces. The total output of aquatic products was more than 20,000 tons, a 36.5 percent increase over the corresponding 1985 period. The amount of hens was stable, and the sales volume of fresh eggs increased somewhat.

According to statistics, in the first half of this year, the output value of rural and village industries of the municipality totaled 1.59 billion yuan, a 13 percent increase over the corresponding period of last year. The value of commodities procured for export amounted to 170 million yuan, up 55.3 percent over the same period in 1985, and a record high.

/12913
CSO: 4006/1235

AGGREGATE ECONOMIC DATA

BRIEFS

4 MILLION REGISTERED ENTERPRISES--Beijing, July 10 (XINHUA)--China had 4,217,800 registered industrial and commercial enterprises with a total employment of more than 144 million people at the end of 1985, up 14.7 and 12.6 percent respectively over the previous year, according to the latest statistics released by the State Administration for Industry and Commerce. Of the registered enterprises, 833,400 are state owned, 3,347,400 collectively owned and 36,900 joint ventures or of other types in terms of ownership. Last year saw a rapid development in the collectively owned and joint-venture enterprises. Compared with 1984, the former increased by 17.6 percent, and the latter 38 percent. The statistics cover more than 300 trades in the fields of industry, agriculture, construction, commerce, catering and others. Of the third industrial trades, scientific research, technological consultancy and service enterprises developed rapidly. By the end of 1985, there were 2,355 such units throughout the country, and two thirds of them were set up and started business that year. [Text [Beijing XINHUA in English 1032 GMT 10 Jul 86 OW] /6662

CSO: 4020/391

ECONOMIC MANAGEMENT

TOWNSHIP-LEVEL FINANCIAL CONTROL SEEN IN SHENYANG

OW251923 Beijing XINHUA in English 1334 GMT 25 Jul 86

[Text] Shenyang, 25 July (XINHUA)--Liu Shugong, a peasant in the suburbs of this capital city of Liaoning Province, gained a fortune of 350,000 yuan from his contracted vineyard, covering 50,000 square meters.

"Without the local finance department, however, I would be unable to be a rich man although I specialize in planting grapes," said this 57-year-old peasant whose product has found its market throughout the country. He borrowed 30,000 yuan to grow vine on a piece of collectively-owned wasteland in 1983.

"Like Liu, more than 70 percent of peasants living in this suburb boost their family economy relying on the loans issued by local finance departments," said Shi Zhonglin, a local economy official.

The official said that peasants here used to live by growing grain before 1982. Since 1982 when the collective production teams were disintegrated, peasants have been able to borrow loans directly from the local banks.

In Donglin township, for example, the local bank issued eight million yuan in loans to 500 peasant households last year, four times more than in 1982, he said.

The financial function of government in the country has never extended to the township level, the lowest level of the government in rural China immediately after the county. Running financial departments in townships is a part of the national economic reforms. The local finance departments, Shi said, issued loans to help peasants develop catering trade, food-processing industry, animal husbandry and transportation, and provides them with economic information as well.

The peasants who previously never set foot in banks, Shi said, now have become familiar with such words as "credit" and "interest rate". They often discuss among themselves on how to make the best use of loans.

According to statistics of the Agriculture Bank of China, more than 100 million peasants throughout the country rely on the loans issued by the local finance departments to develop commodity production. "This is an important indicator of the transformation of China's rural self-supporting economy into large-scale commodity economy," Shi said.

/12858
CSO: 4020/402

WUHAN BANKS PROMOTE FLOW OF FUNDS, ECONOMY

OW221224 Beijing XINHUA in English 1209 GMT 22 Jul 86

[Text] Wuhan, 22 July (XINHUA)--Banks here are showing the way to improve a universal problem--the shortage of loans--through a variety of experiments to facilitate the flow of funds.

As part of the reforms in the financial system, Wuhan, capital of Hubei Province, has changed the conventional rules of not allowing money to flow between banks of different kinds.

Although they had only 270 million yuan in temporary funds, they managed to provide loans of 4.09 billion yuan to local industrial and commercial departments during the first six months this year.

Using the differences in time, regions and professions to supply each other with short-term loans is the secret of their success, an official of the local People's Bank of China told XINHUA.

For instance, he said, the city's cigarette factory was badly in need of funds to expand its production in March this year. The industrial and commercial bank had no more money to lend at that time but it borrowed 30 million yuan from the local agricultural bank which had a surplus of money.

Banks with different specializations in the city also discussed the flow of capital every ten days in order to raise large loans through joint efforts and under the monitoring of the People's Bank of China, the official said.

The establishment of lending exchanges in May this year was another of the city's brainwaves. Branches of local banks went to the lending exchanges regularly to transact loans at interest rates and lending terms agreed upon between themselves. In about a month, 4.2 million yuan had changed hands.

Last year, the city also set up fund exchange systems with ten other Chinese cities and provinces including Shenyang, Harbin, Nanjing and Shenzhen. It has so far carried out transactions worth more than 60 million yuan with these places.

As a result of these reforms, more than 95 percent of money in the city's banks has been kept in circulation since the beginning of this year.

/12858
CSO: 4020/402

WEST CHINA MINORITY AREA ECONOMIC MEETING CONCLUDES

HK240205 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 23 Jul 86

[Excerpts] A six day seminar on economic development in minority-nationality areas of west China concluded in Urumqi today. The meeting discussed how to handle relations between the east, central, and west China economic regions while carrying out the four modernizations, how to develop commodity economy and open up to the world in minority-nationality areas, and questions of economic structural reform in these areas. Many useful views and suggestions were put forward.

Many experts and scholars held that in order to strengthen the internal economic vitality and commodity competitiveness of the west China minority areas, the state must institute some special reforms for these areas and provide them with more support than that given ordinary areas, so that they take better advantage of their local strong points. In particular, in carrying out structural reform, they must put reform in the first place and also adopt reform measures suited to the reality of minority areas.

Apart from striving for more state investment in infrastructural construction and key local industries, these areas must also vigorously develop lateral economic ties with the central and east China regions. It is necessary to continue to do a good job in providing support for counterparts, and, still more important, devote great effort to promoting multilevel and multichannel ties and cooperation in a variety of forms. It is also necessary to make use of the geographical strong points of the minority areas to expand border trade, establish export bases, develop external economic and technological exchanges and cooperation, and do a good job in opening up to other areas in China and to the world, so as to speed up economic development in the west China minority areas.

Xinjiang regional party and government leaders Zhang Sixue, Qi Guo, Feng Dazhen, Simayi Yashengnuofu, and Yang Yiqing attended the close of the meeting.

/12913
CSO: 4006/1251

BRIEFS

ECONOMIC REFORM POPULAR--Beijing, 24 July (XINHUA)--A survey of one million Chinese workers has found that 95 percent of them are in favor of the country's ongoing economic reform. In response to a questionnaire drawn up by the All-China Federation of Trade Unions, 85 percent of the workers investigated said that the reform helps bring into play their talents and wisdom, and improves their living conditions. Therefore they think it is everybody's duty to make the reform a complete success. The results of the poll show that Chinese workers have adapted themselves to the reform and have more confidence in socialism and the Communist party of China, a federation official said. "The reform has aroused their enterprising spirit and enthusiasm for knowledge," he said. Organized by local trade unions under the federation, the survey was the most systematic study of the opinions of Chinese workers since the founding of the People's Republic in 1949, the official said. The one million workers were either interviewed personally or answered written questionnaires; there was a total of 640,000 written responses. An analysis of the survey has just been completed by the federation's secretariat after two months' work, the official said. [Text] [Beijing XINHUA in English 1401 GMT 24 Jul 86 OW] /12858

REFORM EXPERIENCE REVIEWED--A work meeting of 22 Anhui Counties selected for experimentation on comprehensive economic structural reform was held in Maanshan City from 16 to 20 July. Deputy secretary of the Provincial Party Committee Lu Rongjing and Vice Governor Zhang Dawei attended the meeting. At the meeting, Comrade Lu Rongjing made a summing-up report entitled: Sum Up Experience To Promote Reform and Accelerate County-level Economic Development. He first affirmed the important achievements made by Anhui Province in comprehensive reform of the county-level economic structure and some effective measures adopted by the province to promote the reform. He also expounded on several major questions that must be solved during the next step of the reform. In the report, Comrade Lu Rongjing called on the party committees and governments of these counties to put their main efforts on studying how to consolidate, promote, and further their comprehensive economic structural reform. He also urged them to formulate development objectives taking into consideration their realities; implement a system of responsibility to attaining their objectives; and enhance their economic strength as soon as possible. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1000 GMT 24 Jul 86 OW] /12913

CSO: 4006/1251

FINANCE AND BANKING

ISSUANCE, MANAGEMENT OF STOCKS DISCUSSED

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 4, 23 Apr 86 pp 28-30

[Article by Yu Meisun [0358 2734 5549] and Cao Wenlian [2580 2429 3550]: "Exploring the Current Matter of the Issuance and Management of Stock Certificates"; first paragraph is source supplied introduction]

[Text] Editor's Note: Urban and rural areas in the midst of reform are encountering a new problem that demands comprehensive study, exploration, and a demonstration of feasibility--namely, experimenting with enterprise stocks, bonds, and securities exchange. This article is published with the expectation of opening up discussion.

In the process of restructuring various enterprises in China during the past few years, the experimental issuance of stock certificates has increased. The growth of joint stock enterprises, especially in rural areas, has been gaining momentum. Among township and town enterprises in certain areas, joint stock enterprises constitute the overwhelming majority. Will the issuance of these stock certificates disrupt control of the macro-economy? Is it necessary to set up a stock market at the present time? How do we manage the issuance and exchange of stock certificates? These problems demand serious inquiry and study.

I.

There are some who hold that we presently shouldn't permit the issuance of stock certificates for it would create new holes through which consumption funds and investments would drain. This viewpoint is worth discussion. At present, enterprises that issue stock certificates have two principal motives. The first is to raise funds. For example, due to last years tight money market, many enterprises willingly bore the burden of dividends that were higher than interest rates. The second motive is to increase the material benefits of staff and workers at one's own enterprise, especially in enterprises where, in the last few years, funds and the rate of profit continue to be rather high. Only enterprises who issue stock certificates to staff and workers in their own units have the second motivation. For example, among 187 enterprises in Shanghai that have already approved the issuance of stock certificates, only 13 have raised funds for society. The others have issued stock only to the staff and workers of their own enterprises.

Enterprises who issue stock certificates for the sake of raising funds should be granted approval, but they should also be given guidance. Under the present circumstances where there is a relative shortage of enterprise funds, using stock certificates as a means to raise funds may cause the funds for consumption among the people to flow into the productive sphere. We must not lose sight of the fact that enterprises making use of state loans, and those using the funds they raised themselves for investments, possess different characteristics. The former still remains part of the "the common pot" and soft budget, of which the enterprises always thinks more is better. Furthermore, in making use of time, it is also more inclined to act for the moment. The latter is restrained by a hard budget that causes the enterprises to have no choice but to think over the actual benefits of investing. Therefore allowing limited issuance of stock certificates at the present time will be conducive to improving the efficient use of funds, and will promote sensible behavior on the part of enterprises. In order to guard against further capital construction, we can stipulate that the funds raised by issuing stock certificates be used mainly for productive investments and technological renovation and transformation, and that capital construction investments and the setting up of new enterprises be stringently controlled. It is essential to restrict and manage those stock issuers who covertly increase monetary awards of their staff and workers by means of distributing dividends and bonuses. The following concrete measures can be taken. In cases where the state is able to provide funds, and, moreover, where the enterprise profit rate on funds is high, issuance of stock certificates should not, for the time being, be allowed. All enterprises issuing stock certificates must distribute or pay dividends only after taxes (including income tax and adjustment taxes). This will impel enterprises to seriously examine the benefits of investing, to conscientiously use a proportion of their profits to distribute or pay dividends, and can provide for the issuance of stock certificates to society. In this way we can both restrain the enterprises that fix excessively high dividends and bonuses and infringe upon the state interest, as well as avoid the tendencies of enterprises to unduly increase the material benefits of their own staff and workers in a covert way, and to exclude others from buying stock. Of course, in this present stage, ceilings on dividends must be restricted. By adopting these measures, it is improbable that the issuance of stock certificates by enterprises will result in expansion of consumption funds.

II.

If, at present it's reasonable for enterprises to issue stock certificates with comparatively higher dividends and bonuses, stock buyers should be allowed to receive some dividends at a rate that is comparatively higher than interest. However, it is possible that excessively high dividends can disrupt bank savings and cause the burden of enterprises to be unduly heavy. The basic way to contain excessively high dividends is to allow the circulation of stock certificates and to open up a stock market in the immediate future.

An important reason for excessively high dividends (commonly more than twice as high as bank interest) is because there is no stock market. Many of the stock certificates issued by enterprises that provide repayment of principal at maturity are, in fact, a kind of enterprise bond. One advantage in comparing stock certificates and bonds is that the funds accumulated by means of issuing stock certificates return to and are under the permanent control of the enterprise. These funds won't be influenced by the flexibility of all stocks (namely, the transference of stock ownership), and thereby ensure the stability of the operating funds of the enterprise. With no stock market, it is hardly possible to bring into play all of the advantages of issuing stock certificates. Moreover, since stock certificates have already emerged, their circulation cannot be avoided. It is better to publicly allow a stock exchange with the aim of controlling, managing, and guiding the circulation, than to allow it to negatively go underground on the basis of government prohibitions, creating a passive situation that we are unable to manage. For this reason, setting up a stock exchange is, in fact, an objective requirement for the development of a socialist commodity economy.

In addition to political and legal restrictions, whether or not to set up a stock exchange and whether or not such a business could develop depends on two conditions: First, is whether or not there is a fairly large demand for buying stock certificates, and second, is whether or not there is a sufficient amount of stock certificates to buy and sell.

First, in looking at demand, stock certificates issued by Chinese enterprises have been welcomed by the masses. For example, when certain companies in Shanghai offered 500,000 stock certificates to the public, more than 10,000 people lined up when they began selling at 9 am, and in the rush to purchase, the stocks were gone by 2 pm the same day, proving that stocks are in extraordinarily great demand. In the initial stages of developing a stock market in some countries, the number of people who hold stock certificates do not exceed even 10,000 people, with active buyers and sellers numbering several hundred people at the most. At present, China actually exceeded this number long ago. Moreover, existing policy factors have kept enterprises and other social groups from active participation in the buying of stock certificates. According to estimates, the potential demand of these units is second to none. One can imagine, if, in the future, enterprises carry out the stock system, the majority of poorly managed enterprises need not wait until they go bankrupt until they get back on their feet again. In the course of dropping the price of their stock certificates, advanced companies can, by means of the purchase of those stock certificates, proceed to acquire the controlling stock rights of failing companies, and by changing the channels of leadership and so forth, cause the rebirth and development of backward enterprises. The Ambassador from the Kingdom of the Netherlands stationed in China, Dr. A.G.O. Smitsendonk, has said that backward enterprises are "jolted awake from a sound sleep" when the prices of their stocks drop.

Furthermore, when looking at the supply, if there is not a certain amount of stock certificates to buy and sell, many of those people who make up the demand will pursue the few available stocks, thereby bringing about a sharp rise in prices. This is detrimental to economic stability and the sensible disposition of resources. From the experience of developing countries, prior to setting up a securities market, you must have at least 20 companies, with each company taking out 25 percent of their capital to issue to the public. Right now in the comparatively brisk stock markets in places like Mexico, Hong Kong, and Brazil, there are more than 300 companies registered to issue stock certificates, with the average daily exchange of approximately 25-50 kinds of stock. At the end of August, 1985, there were close to 700 enterprises in Shanghai that submitted applications to issue stock certificates. It is thus clear that, provided we have a suitable policy, the supply of stock certificates will be abundant.

In view of the considerations mentioned above, we presently think that we should select one of several large cities, where the funds among the people are comparatively plentiful and where there are comparatively more enterprises applying to issue stock certificates, and set up a pilot stock exchange as soon as possible. By doing this, we can probe into ways of managing a stock exchange that will be in keeping with China's situation, and provide a basis for macro-decisionmaking in order to expand the stock exchange business in China.

III.

Some comrades have misgivings, that opening a stock market to the public will attract negative phenomena like speculation to China, and that it is difficult to manage a stock exchange. Indeed, as long as you have price fluctuations, you cannot eliminate speculation. However, due to the rather large amount of securities purchased by speculators, we think speculators will consequently stimulate the stock market and assume, to a rather large extent, the risk of the securities issuers; also, the fact that speculators frequently sell in large quantities when market buying is comparatively low and when market prices are comparatively high, is consequently conducive to the regulation of securities supply and demand and the stability of market prices. Of course, excessive speculative activities, if one spreads rumors, colludes and collaborates, and practices heavy speculation in stocks by manipulating the stock market, will have the negative effect of disrupting the stock market, and legal measures must be applied to control all of this.

Foreign countries, in fact, already have a rather complete set of management methods regarding the issue and circulation of negotiable securities which we can use for study and reference.

For example, there are two aspects to the function of American securities laws: the first involves restrictions on the issuer, the second involves restrictions on the buyer.

Restrictions on the issuer are mainly to guard against fraudulent and corrupt behavior on the part of those selling stock certificates. For this reason, United States securities law stipulates, first, that the party selling stocks must correctly disclose what he knows, and that the party buying stocks must be acquainted with all the significant conditions concerning the stock certificates and the stock issuer, otherwise is is considered to be fraud. If a party buying stocks discovers that anything reported by the seller regarding the condition of the financial affairs of the stock issuer is not true, he has the right to cancel a transaction that had already been concluded. Secondly, each time prior to issuing stock to the public, the issuer must register with a government administrative institution and include a report on his financial situation that follows the items stipulated by this institution regarding the conditions of the securities and of the issuer. Transcripts of these materials must be furnished to potential buyers prior to issuing securities. Finally, all companies offering stock certificates for sale must publish thorough quarterly and annual reports on their financial affairs, the contents of which must be verified by an independent accounting office who assumes legal responsibility for the accuracy of the report. These restrictions enable the public to have sufficient information when buying and selling stock certificates.

Restrictions on the buyer guard against buyers who, in various ways, engage in misconduct and unduly control speculation activities. The main stipulations prohibit brokers from concurrently engaging in the business of buying and selling, prohibit rigging of the securities market and the spreading of rumors about securities prices, stipulate limits for brokers who obtain mortgage loans from banks, and so on. In addition, it is illegal for high level administrative personnel or other insiders, owing to their access to inside company information, to engage in trading in the stock market. Those who are accused of this crime are required to pay a fine three times the amount that they profited illegally, or even be imprisoned. In May, 1985, for example, a former U.S. Defense Department Assistant Secretary of Defense was accused of committing this crime, and was sentenced to 4 years imprisonment and fined $5,000. In addition to this, he had to pay the court $555,000 in compensation damages.

To sum up, under the present circumstances, we should neither categorically encourage the issuance and exchange of stock certificates, rushing headlong into action, nor evade the contradictions by prohibiting stocks altogether. On the basis of investigation, we should strengthen our research on how to deal with the situation. On the one hand, we should actively conduct tests and explore an entire set of management methods that will conform with the Chinese situation. And on the other hand, we should adopt some interim measures and actively eliminate the existing problems of the stock exchange and the various types of securities issued. By retaining the advantageous and getting rid of the disadvantageous, we can cause the stock exchange, that ingenious machine of the capitalist commodity economy, to serve a socialist planned commodity economy.

13138/12948
CSO: 4006/1163

GOLD RESERVES FACE SERIOUS TRADE DEFICIT

HK130326 Hong Kong SUNDAY STANDARD in English 13 Jul 86 p 4

[Text] Reserves of gold in Beijing's central treasury form a golden safety net of convertible hard currency for China, faced with a serious trade deficit as a result of the spending spree in late 1984 and early 1985.

The deficit on the foreign trade account might be as great as U.S.$14 billion (HK$110 billion) or more, though the exact size is confused by the two different sets of statistics, one from Customs and another from the Foreign Trade Department.

The spending sent China's foreign reserves plummeting from a high of U.S.$16.67 billion in September to U.S.$10.85 billion in June last year, prompting numerous administrative measures to clamp down on the use of foreign exchange.

Although the reserves recovered to U.S.$12.59 billion in September, they have fallen steadily again since, to U.S.$11.91 billion last December and U.S.$10.34 billion in March, a two-year low.

Surprisingly, China's gold reserves have remained unchanged at 12.67 million Troy ounces--or about 394 tons--for the five quarters from March 1985 to March this year. It is common knowledge among gold bullion dealers, however, that China has been very active in the gold markets of London and Zurich during the last few months, though this has not been reflected in any statistics issuing from Beijing.

But from locally available figures of the Census and Statistics Department it seems that China has changed its gold strategy and begun unloading large quantities of gold in Hong Kong.

For the first four months of this year a total of 10.02 tons of gold bullion or bars valued at HK$850.40 million entered the territory, an increase in value of 375 times on the gold imported for the whole of last year. These imports of bullion are the largest quantity since the gold bullion trade between Hong Kong and China began to grow in the early 1980's. In 1980 nothing was imported from China nor was any gold re-exported to China.

From 1981, gold bullion imports from China and re-exports to China have shown an upward trend, though imports were more volatile with major dips in 1982 and last year. The total imports up to December last year were $25.12 million. Re-exports to China totalled $37.71 million.

By whatever yardstick, the import of $157.81 million in March and another $692.59 million in April represent an historical surge in China's exports of bullion to the territory. It has left local bullion dealers startled.

Moreover, those to whom the SUNDAY STANDARD spoke were puzzled about how to interpret the movement, and opinions varied widely, though all were united in one thing. None wanted to be identified. "When you are talking about China you really have to be discreet," said the managing director of a major international bullion house. "I have amicable relations and a very good business with China, and I intend to keep it," he added.

The general consensus is that China is seeking to dominate the local gold market so that it will be able to deal discreetly without showing its hand to other dealers.

And as Hong Kong is a hard currency area, profits from dealing and directly converted foreign exchange can be readily funneled to Beijing through the Bank of China and other China-based organizations in the territory.

One dealer said the local gold market was already saturated, or what they call a discount market in which the price is shy of the world price. "The demand is nonexistent," he said. "The supply is now going to be dominated by China and it will offer them a very discreet way to market their gold."

However, there is considerable confusion about the source of the gold bullion from China. Most bullion dealers believe it is coming from new mines opened in neighboring Guangdong Province and Guizhou Province. They do not believe it is coming from the central reserves in Beijing, since in this case China would generally ship bullion directly to London or Zurich without going through Hong Kong.

Many new mines have been opened throughout China in an effort to raise gold production to obtain foreign exchange for China's modernization program, and Hong Kong would be the convenient international market almost at the mine entrance.

According to one dealer the Bank of China affiliate, the Po Sang Bank, was regularly shipping in large quantities. Some of the gold might be smuggled--China has recently introduced new customs procedures to control the outflow of hard currency, jewels and gold--but it is difficult to believe that 10 tons have come out in people's pockets.

Once here, it is again unclear what is happening to this huge quantity of gold. "I cannot think of one international bullion house that is handling this gold," a prominent dealer said. That meant, he added, that it must all be in the hands of Po Sang Bank, the "dominant force in gold" here. Po Sang is active in the retail market and some might have been sold to jewelers.

What is clear from the Census and Statistics analysis of re-exports is that none of the gold brought into Hong Kong from China up to the end of April had left the territory.

Britain has been a major source of gold, with several hundred tons of gold going to and from during recent years. The recent movement, in the first two months of the year, was probably chasing a higher premium in European markets than is available in the oversupplied market of Hong Kong.

/12858
CSO: 4020/402

FINANCE AND BANKING

PRC PLACES RESTRICTIONS ON AUTHORIZED LOAN GUARANTORS

HK140240 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
14 Jul 86 p 1

[By Paul Sham]

[Text] Despite official announcements that the number of authorized loan guarantors in China has been increased to more than 50, in practice the figure has been reduced by the imposition of ceilings on their underwritings. This follows a recent government ruling that domestic financial institutions must not guarantee more than 15 times their paid-up capital, according to foreign banking sources in the country.

Any guarantor wishing to exceed the limit will have to seek permission from the State Administration of Foreign Exchange Control [SAFEC] in Beijing, the sources say. This also raises the possibility that some projects whose guarantors were already over the limit will have to be suspended while fresh approval is obtained. Guarantors are financial institutions permitted by the SAFEC to underwrite foreign exchange loans without prior approval.

China has introduced the ceilings as part of its attempts to curb the rapid growth of credit that has caused the economy to over-heat.

Some guarantors are said to have over-extended themselves to win fee income, while the lack of guidelines has also contributed. Foreign banks generally require a guarantee from borrowers because realizing collateral is difficult in China.

There are calls from some quarters for the authorities to detail the financial position of the approved guarantors and name those that have reached their limit. "The current situation is still guesswork," said one source, adding that the only criterion on which foreign banks could judge a guarantor was past experience. About 20 of the approved guarantors are foreign banks, who are not affected by the ruling.

Mr Han Longlian, sub-commissioner at Shenzhen branch of the People's Bank of China, would not confirm the existence of the internal circular said to set out each guarantor.

Mr Shi Biao, deputy general manager of Bank of China's Shenzhen branch, also did not confirm the internal ruling, though he said that financial institutions had been instructed to observe "reasonable" limits based on their ability to repay sums guaranteed.

/12858
CSO: 4020/402

BRIEFS

INSURANCE BUSINESS 'BOOMING'--Beijing, 4 August (XINHUA)--China's insurance business is booming. As the nationwide economic reform makes government units and individuals accountable for losses, insurance policies are becoming increasingly popular. In the first half of this year, the Beijing Insurance Company took in 2.5 times the premiums it did in the same period in 1985, the BEIJING DAILY reported today. The paper did not provide total premium figures, but it did peg claims paid at 10.65 million yuan (2.88 million U.S. dollars). And it said 344,000 people have purchased life insurance while 327,000 households have at least one policy. The company offers 99 types of insurance--covering misfortunes ranging from accidents to destruction of watermelons by hailstorms--and sells to foreigners as well as to Chinese. [Text] [Beijing XINHUA in English 0611 GMT 4 Aug 86 OW] /12858

CSO: 4020/402

INDUSTRIAL PRODUCTION SHOWS JUMP IN JUNE

OW071052 Beijing XINHUA in English 1015 GMT 7 Jul 86

[Text] Beijing, 7 July (XINHUA)--A jump in industrial output in June has raised China's production growth rate to 4.9 percent for the first half of this year, the State Statistics Bureau said today.

June's industrial output value reached 79.48 billion yuan, up 6.9 percent from 1985. Total industrial output value for the six month period was 428.44 billion yuan.

The second quarter growth rate was 5.3 percent, up from 4.4 percent in the first quarter. Production growth has slowed considerably since the first half of 1985, when it reached 23.1 percent. However, such rapid growth was widely criticized as too fast for the economy to handle efficiently.

In his report in March on the current Five-Year Plan (1986-1990), Premier Zhao Ziyang attributed 1985's industrial boom to overspending on capital investment and on raw and semifinished imported materials. This year, Zhao and other leaders have said growth should continue at a more moderate pace.

That fits China's national plan, which projects an annual growth of eight percent. Experts in the Statistics Bureau told XINHUA the target will be met without any major policy shifts.

During the first half of the year, some industries continued to grow rapidly. Production of pig iron, steel, rolled steel, copper, cement and electricity increased from eight to 14.8 percent over the same period in 1985.

But production of other goods contracted, in line with the economic plan for the year. These include alcohol aside from chemical fabrics and television sets.

And in state-owned enterprises--the vast majority of large industries--even where production increased, profits were down, according to the Statistics Bureau.

/12858
CSO: 4020/399

INDUSTRY

CHONGQING CITY'S INDUSTRIAL PRODUCTION HITS RECORD HIGH

HK240245 Chongqing CHONGQING RIBAO in Chinese 6 Jul 86 p 1

[Report by correspondent Zhao Xiaoci [6392 1321 1964]: "Chongqing City Industrial Production Reached a Record High in June and Its Gross Industrial Output Value Was 14.3 Percent Higher than the Same Period of Last Year"]

[Text] Through the determined efforts of 1.5 million staff members and workers throughout the city showing an indomitable spirit, the "sliding" phenomenon in the city's industrial production has been thoroughly halted and a gratifying situation characterized by a sustained and steady growth has emerged. Following the record high in monthly production scored in May, industrial production in June reached a new "staircase"--hitting a new record high. The city's gross industrial output value in June was 14.3 percent higher than the same period of the previous year. So far, the city's gross industrial output value in the first half of the year has surpassed the accumulated level of the corresponding period of last year by 1.2 percent. The city's production of foreign-exchange-earning products in the first 6 months of the year was 112 percent more than the same period of the previous year, with the amount of foreign exchange earned totaling $72 million or more. The petroleum, first light industry, chemical industry, instrument and meter, machine-building, and other industries and a number of key enterprises, such as the Sichuan Vinylon Factory, the Xinan Aluminum Processing Plant, and the General Sichuan Instrument and Meter Plant have fulfilled or overfulfilled their "two major tasks for the first half of the year."

According to analyses of the departments concerned, the basic reason our city was rapidly able to put an end to the "sliding" production situation in the first quarter of the year and maintain a sustained and steady growth was that the city has persistently put reform in the first place, supported the reform, and developed what has been achieved in the reform. Specifically, first, leaders at various levels attached importance to industrial production, level by level down. The city CPC committee and government defined the guiding ideology of "putting production as the central link" and adopted numerous appropriate policies and measures. Second, the staff members and workers throughout the city brought their initiative and creativity into fuller play and tried every possible means to overcome difficulties and bring about an upswing in production. Third, the planning, financial, bank, tax, commercial, materials, and labor departments and industrial departments made concerted efforts to support and serve production, to solve difficulties in such areas as funds, materials, production, and marketing, and to ensure needs for production.

The person in charge of the departments concerned pointed out: Although the city's industrial production momentum is good, we should not lower our guard and become careless, because our tasks this year are arduous. Moreover, the third season of the year is characterized by scorching heat. Therefore, we should persist in continuing the reform, give top priority to the sale of products and the improvement of product quality, and expedite the sustained and steady development of the city's economy.

/12858
CSO: 4006/1238

HEBEI HOLDS TELEPHONE CONFERENCE ON INDUSTRIAL PRODUCTION

SK280736 Shijiazhuang Hebei Provincial Service in Mandarin 2200 GMT 15 Jul 86

[Excerpts] On the evening of 15 July, the provincial government held a telephone conference, calling on all prefectures and cities to ensure an equal increase in economic results and production speed. Ye Liansong, Standing Committee member of the provincial CPC Committee and vice governor of the province, presided over the telephone conference. Song Shuhua, vice governor of the province, made a speech at the conference.

After summing up the major special features of industrial production in the first half of this year, Vice Governor Song Shuhua called on all prefectures, cities, and departments to conscientiously sum up the work done in the first half of this year, to timely analyze the situation, to affirm achievements, to find out where the problems lie, to work out measures for solidly grasping industrial and communications production in the latter half of this year, and to try every possible means to realize the goal of registering an 8-percent increase this year. He called on prefectures, cities, and departments to prominently grasp the work in six fields in the latter half of this year.

First, they should strive to improve product quality and to enthusiastically develop new products.

Second, enterprises should focus on upgrading the quality of products and creating new levels to comprehensively upgrade their quality.

Third, they should accelerate the pace of capital construction and technological transformation projects.

Fourth, they should strengthen marketing work and enliven circulation fields. They should focus on opening and enlivening circulation channels between the urban and rural areas and concentrate the expansion of marketing work on the rural areas. Efforts should be made to deliver industrial products to the rural areas.

Fifth, enterprises should do a good job in distributing their products and strengthen coordination among themselves.

Sixth, they should persistently carry out reform in order to further envigorate the enterprises.

Vice Governor Song Shuhua emphatically concluded: All prefectures, cities, and departments should make good preparations and early arrangements for next year's production work so as to ensure a good production situation from the beginning of next year.

/12858
CSO: 4006/1238

SHENYANG MILL COOPERATES WITH IRON, STEEL GIANT

OW251929 Beijing XINHUA in English 1345 GMT 25 Jul 86

[Text] Shenyang, 25 July (XINHUA)--When China is encouraging economic cooperation among enterprises, a seamless tubing mill attached to the Anshan Iron and Steel Company has established such cooperation with a peasant family to produce ferric oxide dyestuffs.

Li Huazhong, a manager of the company, said this was an attempt to break existing ownership divisions to broaden economic cooperation.

The state-owned Anshan Iron and Steel Company, with a history of 70 years, is one of China's biggest iron and steel producers. This year, the company has set up economic and technological relations with 173 enterprises and economic institutions in 28 provinces, municipalities and autonomous regions. However, it is the first time for the company to start economic activity with an individual undertaking.

The Chengang Ferric Oxide Dyestuff Factory, jointly run by the mill, and Wang Liyan, 33, and her husband, was set up with a total investment of 330,000 yuan, 200,000 yuan coming from the seamless tubing mill. It produces ferric oxide dyestuffs from waste acid water from the mill which provides the factory with technical directions.

The factory can treat from 30,000 to 40,000 liters of waste acid water a day, and profits are equally enjoyed. Annual output value is estimated to be 1.2 million yuan (about 324,000 U.S. dollars).

The Wang couple got 130,000 yuan in profit from running individual undertakings in the past few years. They have put all their savings into the factory.

Speaking to XINHUA, Wang Liyan said she had never thought of establishing economic cooperation with such a big enterprise as the Anshan Iron and Steel Company.

/12858
CSO: 4020/399

YUNNAN MEETING URGES IMPROVED INDUSTRIAL PERFORMANCE

HK220147 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 21 Jul 86

[Text] Yunnan's industrial growth was rather low in the first half of this year, and economic results were not good enough. The Provincial Economics Commission held a production direction meeting at the beginning of July, which called on all localities and enterprises to seriously correct this situation in the second half of the year. Under the premise of improving economic results, they should ensure appropriate production growth and strive to fulfill the year's plans.

The province's industrial output value in the first half of the year was 6.29 billion yuan, an increase of 5.7 percent over the same period last year. Light industry recorded a rise of 8.3 percent, while heavy industry rose by 3.1 percent. Energy production was relatively good during the period. Output of coal and coke overfulfilled the plans. Electric power output was 4.1 billion kilowatt hours, an increase of 14.2 percent compared with the same period last year. Power needs for fighting drought in agriculture were met and the requirements of industrial production were satisfied.

During the first half of the year, 57.5 percent of the year's plan for chemical fertilizer output was fulfilled. A good growth momentum was maintained in non-ferrous metals, building materials, and raw materials for the chemical industry. Output value of the machine-building industry rose by 4.3 percent compared with the same period last year.

The main problem in industrial production in the first half of the year was poor economic results. Production costs rose while product quality declined.

/12858
CSO: 4006/1238

BRIEFS

SHANGHAI RAISING QUALITY STANDARDS--Shanghai, 21 July (XINHUA)--The city of Shanghai--China's leading industrial center--currently produces more than 1,300 products that meet international standards, a municipal official said here today. "By 1990, the quality of all of our 5,000 major products should be at the advanced levels of the early 1980's," said the official, who is in charge of Shanghai's manufacturing. Throughout China, 6,000 of the country's largest state-owned industrial enterprises are working to apply what has been called "total quality control" in response to last month's appeal by State Councillor Zhang Jingfu for China's factories to perform at international levels. Shanghai produces more than 20,000 types of industrial goods a year. The city's factories have been working toward international standards since 1980. According to incomplete statistics, the efforts to reach international standards has helped improve the quality of 77 percent of the city's products and has led to expanded exports for 27 percent, the official said. [Text] [Beijing XINHUA in English 1442 GMT 21 Jul 86 OW] /12858

ANSHAN FIGHTS SUPPLY SHORTAGES--Shenyang, 23 July (XINHUA)--China's largest iron and steel company is fighting energy and material shortages with new cooperative agreements with more than 300 businesses throughout the country. The Anshan Iron and Steel Company in Liaoning province no longer relies on the state as its supplier of last resort, a company official said here today. Instead, the northeast China enterprise has made arrangements on its own with businesses in Liaoning and elsewhere to exchange sometimes scarce supplies. In some cases, the Anshan Works trades technological advice for raw materials. According to Wang Zepu, deputy manager of Anshan's consulting subsidiary, "this helps smaller, less developed enterprises at the same time as it helps Anshan." For example, he said, in return for energy supplies, Anshan supplied a natural gas company in Tianjin with technical advice on production, helped it train technicians, and assisted its absorption of imported technology. [Text] [Beijing XINHUA in English 2350 GMT 23 Jul 86 OW] /12858

HEBEI INDUSTRIAL ACHIEVEMENTS--In the first half of 1986, Hebei Province realized 17.231 billion yuan of total industrial output value, a 2.8-percent increase over the figure of the corresponding 1985 period. The industrial enterprises covered by the budget realized a 6.93 billion yuan of total output value, a 4.5-percent increase over the figure of the corresponding 1985 period. Their incomes accumulated from sales reached 7.39 billion yuan, a 10.6-percent increase over the figure of the corresponding 1985 period. [Summary] [Shijiazhuang HEBEI RIBAO in Chinese 11 Jul 86 p 1 SK] /12858

GUANGDONG INDUSTRIAL GROWTH--In the first half of this year, the province reversed last year's trend of excessive industrial growth, and industrial production developed at a normal pace. The province's industrial output value in the first half of this year amounted to some 24.4 billion yuan, an increase of 9.6 percent over the same period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 23 Jul 86 HK] /12858

COOPERATION ACCORD SIGNED--The Ministry of Ordnance Industry and the Shanxi Provincial Government signed an agreement on cooperation on 25 July. As a result of the agreement, the ministry and the province will carry out more than 10 economic and technical cooperation projects. This is an excellent start to long-term cooperation between the two parties. Lai Jinlie, vice minister of the Ministry of Ordnance Industry, and Vice Governor Yan Wuhong signed the agreement. Minister Zou Jiahua and Governor Wang Senhao made speeches. The two sides have agreed to engage in long-term all-around cooperation beginning this July. The aim of this cooperation is to break down the separation between regions and ministries, bring into full play the initiative of the ministry and the province, vigorously develop lateral economic ties, take advantage of the defense industry's strong points in technology and gradually build a new system integrating defense and civilian production. [Excerpts] [Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 25 Jul 86 HK] /12858

CSO: 4006/1238

SMALL-SCALE ENTERPRISES

BRIEFS

TOWNSHIP ENTERPRISES STRESSED--Governor Jiang Minkuan said at the provincial conference on township enterprises that the development of these enterprises is occupying an increasingly important position in the entire economic construction effort. The meeting was convened in Leshan on 17 July. It is being attended by directors of township enterprise bureaus of all prefectures and cities and of a number of counties. Governor Jiang Minkuan stressed that the development of township enterprises constitutes a road of building socialism with Chinese characteristics. It is the way we must follow in order to invigorate the rural economy. If we fail to grasp these enterprises, we have failed to grasp the key, and we thus cannot enrich the people of Sichuan, including the 87 million people in the rural areas. At present the development of township enterprises in Sichuan is very uneven. Governor Jiang Minkuan demanded that all localities grasp the following points in developing these enterprises: 1. There must be reserve strength. The key lies in the leadership groups. We must look at practical results when assessing cadres. We will have reserve strength if we do well in employing the cadres. 2. We must accurately identify projects that need little investment and produce good economic results. Given accurate identification, development can be rapid. 3. It is essential to assign people to take responsibility. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 20 Jul 86 HK] /12913

HEILONGJIANG TOWNSHIP ENTERPRISES--In the first half of this year, the township enterprises in Heilongjiang substantially increased their output value and profits despite an acute shortage of funds and price rises of raw materials. By the end of June, they had created more than 2.73 billion yuan of output value and 200 million yuan of profits, an increase of 32.7 and 28 percent, respectively, over those of the corresponding period of last year. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 24 Jul 86 SK] /12913

CSO: 4006/1251

CONSTRUCTION

BRIEFS

HEILONGJIANG LOCAL RAILWAY--Construction of a local railway from Beian to Heihe, Heilongjiang Province, began today. The construction, which will take 3 years, is being jointly undertaken by the Beihei Local Railway Administrative Bureau, the China International Trust and Investment Corporation, and the Harbin Railway Bureau. The whole railway line will be opened to traffic in 1989. This railway is the longest local railway to be built in our province during the Seventh 5-Year Plan period. Chen Lei, chairman of the provincial Advisory Commission, attended and addressed the ceremony marking the inauguration of construction on behalf of the provincial CPC Committee and government. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 0930 GMT 15 Jul 86 SK] /12858

CSO: 4006/1238

DOMESTIC TRADE

BRIEFS

RURAL HENAN DEVELOPS MARKETS--According to Henan RIBAO, in the past two years a number of specialized markets have appeared in rural Henan to meet the needs of rural commodity economy and household operations. According to incomplete statistics, there are now over 1,700 such markets in the province. They include specialized markets for grain, cotton, oil-bearing crops, and fiber crops; for livestock; for poultry and fish; and for scrap materials, and so on. There are also specialized markets for industrial and handicraft products, such as plastic goods, foodstuffs, clothing, shoes, hats, and so on, and for certain small commodities. The special features of the markets are that they are linked to household operations and their products are geared to the needs of the whole country. There are long-distance trade, lateral ties, and fierce competition. The markets represent a new channel of commodity circular circulation. Each has its own strong points and makes up for the deficiencies of others. Judging by developments, as rural commodity economy grows, specialized markets are sure to lead forward specialized production on a still larger scale and enable each economic region to take full advantage of its natural resources and traditional skills and thus to gain optimum economic results. [Text] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 18 Jul 86 HK] /12913

CSO: 4006/1251

SOVIET PAPER DISCUSSES SINO-SOVIET TRADE

Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 13 Jun 86 p 3

[Article by M. Bureyev: "USSR-PRC: The Trade Volume Is Growing"]

[Text] Trade is the most stable form of relations between the Soviet Union and China. In the 1980's, both countries sought actively to revive it and to develop it further. In the last 5 years, the annual volume of Soviet-Chinese trade increased from 176.8 million rubles to 1.6 billion rubles, or by a factor of more than nine.

The Soviet Union is now delivering to China various types of machinery, equipment and means of transport. Included are civilian aircraft, trucks and passenger cars, and mining and power equipment. Also supplied are ferrous and nonferrous metals, cement mineral fertilizers, chemicals and lumber. About one-third of Soviet exports to China are machinery and technical products.

The PRC, in turn, exports to the Soviet Union mined raw materials, various agricultural products, textiles and many other consumer goods.

In 1984 and 1985, there was an exchange of visits by I.V. Arkhipov, first deputy chairman of the USSR Council of Ministers, and Yao Yilin, vice deputy of the State Council of the PRC. They laid a good foundation for the further development of economic ties between our countries.

Until 1985, trade between the USSR and the PRC was on the basis of intergovernmental agreements entered into annually. The sides came to the conclusion that such a practice does not fully correspond to the task of further increasing trade. The result was the signing of the first long-term agreement between the governments of the USSR and the PRC on the commodity turnover and payments for the years 1986 through 1990 in the history of Soviet-Chinese relations. The volume of trade in this period is supposed to amount to about 12 billion rubles on a balanced basis, including 3 billion rubles in 1990, which is almost twice the current level.

Under the agreement, China will import from the Soviet Union aircraft, motor vehicles, power equipment, railroad rolling stock, agricultural machinery, ferrous and nonferrous metals, and output of the chemical industry. The USSR will receive from China tungstic concentrate, fluorite, soybeans, corn, peanuts, meat and meat products, apples, citrus fruits, cotton fabrics, yarn, knitted and sewn goods, tea, bristles, sports shoes, Thermos bottles, and the output of the chemical and machine building industries.

Besides the long-term trade agreement, an agreement on economic and technical cooperation in the construction and reconstruction of industrial facilities in the PRC was also signed during the visit of Yao Yilin to Moscow.

In the 1950's, as everyone knows, more than 200 industrial enterprises comprising the framework of Chinese socialist industry were built in China with the material and technical assistance of the USSR. Over a period of 30 years, a certain amount of the plant and equipment of these enterprises has become worn out and is now in need of modernization and replacement. Under the mentioned agreement, the Soviet Union will help China in the reconstruction of a number of facilities and in the building of several new ones.

In particular, there are plans to reconstruct 17 enterprises in the metallurgical, coal, machine building and chemical industries and to take part in the construction of 7 facilities. It is foreseen that the USSR will delivery six power blocks with an overall capacity of 3.6 million kilowatts for three thermal electric power stations and equipment for power transmission lines and for the electrification of a railroad line 1,000 kilometers long and that it will take part in the construction of an open pit for the extraction of coal using the open method.

Trade near the border is an important channel in the commodity turnover between our countries. After a lengthy interruption, it was renewed in 1982 between Khabarovsk and Primorskiy krays and Amursk and Chita oblasts on the Soviet side and the province of Heilungkiang and the autonomous region of Inner Mongolia on the Chinese side. Its volume last year amounted to 24.2 million rubles, which is almost five times as great as the maximum level of the 1960's. Beginning in 1986, border trade will be renewed between the Sinkiang Uighur autonomous region of the PRC and the Soviet Central Asian republics, Kazakhstan and the contiguous rayons of the RSFSR over the border points of Khorgos and Turugart. Its further development will make it possible to seek additional resources for increasing the commodity turnover between the USSR and the PRC.

The increase in the commodity turnover and the expansion of the products list requires the resolution of various transport problems, to which the sides are paying a great deal of attention. In particular, it is planned in 1986 to renew the transport of cargo between the USSR and the PRC by river.

To a considerable extent, the exchange of exhibitions contributes to the development of trade and economic ties. Two years ago in Moscow, an exposition of the Ministry of Geology and Mineral Resources of the PRC was organized within the framework of the international exhibition "Geokarta." At that time, the Soviet Union took part in an international exhibition of medical equipment and instruments and a year later in the "ASPAT-85" international fair in Beijing and China participated in the "Interbytmash-85" show in Moscow.

The Chamber of Commerce and Industry of the USSR and the Chinese committee for aiding the development of international trade signed an agreement on cooperation. In particular, it provides for mutual assistance for the purpose of participating in international shows and carrying out trade and economic exhibitions in both countries as well as commercial negotiations, technical exchanges, conferences and other concommitant measures. In accordance with the agreement, as early as the summer of this year there will be a trade and industry exhibition of the PRC in Moscow and a trade and industry exhibition of the USSR in Beijing in December. They are being awaited with great interest in both countries.

At the 27th CPSU Congress, there was still another declaration of the striving of the USSR to develop trade and economic relations with China. In particular, it was stated that "the commodity turnover with the People's Republic of China will be expanded significantly."

The decisions of the first session of the Soviet-Chinese commission on economic, commercial and scientific-technical cooperation that took place in March in Beijing were another confirmation of the possibilities for the further development of bilateral and mutually advantageous cooperation. They are a good incentive for raising the effectiveness of Soviet-Chinese commercial ties, for improving their forms, and for making them more diverse and dynamic.

9746
CSO: 1825/82

PRC TO GET DAIMLER-BENZ TECHNOLOGY FROM FRG

OW031352 Beijing XINHUA in English 1342 GMT 3 Jul 86

[Text] Beijing, July 3 (XINHUA)--The Daimler-Benz Company of the Federal Republic of Germany will transfer technology for heavy-duty truck production to the China North Industries Corporation, an official from Daimler-Benz said here today.

Michael Bassermann, marketing director of the Germany company, said at a press conference here that the two sides are busy putting the final touches to the technical transfer agreement.

He came here to attend an international exhibition on the automobile industry, which will open here tomorrow. Daimler-Benz ag is one of more than 200 manufacturing firms from 20 countries and regions at the exhibition.

The technology to be transferred from Daimler-Benz has a capacity of producing from 6,000 to 8,000 heavy-duty trucks a year.

Bassermann said his company has exported to China about 7,000 heavy-duty trucks and 2,500 sedans in the last few years.

He hoped that his company would continue its cooperation with China not only in the automobile industry but also in electronics, telecommunications, and other fields.

To provide a better technical service to users, Daimler-Benz ag has built a service center on the northern outskirts of Beijing, which will start business this October, he added.

Daimler-Benz, which has just celebrated its 100th anniversary, will display at the exhibition its latest sedans, heavy-duty trucks, dump trucks for transporting earth and gravel, cold storage trucks, spare parts and components, and their manufacturing technology.

/8309
CSO: 4020/409

'INTERNATIONAL BUSINESS' REPORTS RECORD EXPORTS

OW100858 Beijing XINHUA in English 0806 GMT 10 Jul 86

[Text] Beijing, July 10 (XINHUA)--Exports in the first six months of this year soared to record highs in the city of Tianjin, Guangxi Zhuang Autonomous Region, and in Guangdong, Jiangsu, Qinghai, Jiangxi and Heilongjiang Provinces, INTERNATIONAL BUSINESS reported today.

According to the semi-weekly from the Foreign Economic Relations and Trade Ministry, goods totaling two billion yuan were exported through the Tianjin port in the first six months of this year, up 39.4 percent over the same period of last year.

Guangdong Province exported goods valued at 1.76 billion U.S. dollars between January and June, up 46 percent over the same period last year.

Jiangsu Province exported 880 million U.S. dollars in the January-June period, an increase of 20.16 percent over the same period last year and a record for the past 12 years. Exports of textiles, arts and crafts, hardware, minerals, machinery, and native and animal products have registered large increases.

Qinghai Province in northwest China fulfilled its annual export quota by 50.83 percent and Heilongjiang Province in northeast China by 63.4 percent.

Exports in Jiangxi Province in the first six months topped 100 million U.S. dollars for the first time, reaching 126 million U.S. dollars, an increase of 54.22 percent over the same period last year.

The Guangxi Zhuang Autonomous Region doubled its textile exports and total exports reached 176 million U.S. dollars in the first six months of this year.

Exports from Shanghai and Beijing in the first six months of this year jumped to 1.69 billion U.S. dollars and 334 million U.S. dollars respectively, according to earlier reports.

/6309
CSO: 4020/411

PRC APPROVES FIRST JOINT VENTURE FINANCE COMPANY

HK220217 Hong Kong HONG KONG STANDARD (BUSINESS section) in English 22 Jul 86 p 1

[By Eva To]

[Excerpts] China's first joint venture finance company has finally received the go-ahead from Beijing officials and the law regulating foreign banks in China is expected to be amended as a result, informed sources told BUSINESS STANDARD last night.

Mr Luo Xianrong, the Governor of China's central bank, People's Bank of China [BoC] Shenzhen branch, was in Hong Kong yesterday to meet with five prospective partners of the joint venture to discuss possible law amendments to new regulations governing the pilot scheme.

The five-party finance joint venture has already been given the preliminary greenlight from Beijing officials--pending an official notice expected on Thursday--sources added.

Tentatively named "China International Finance Company Limited," an official signing ceremony for the joint venture is scheduled for 7 pm on Friday evening in Shekou, Shenzhen special economic zone.

Aimed at wholesale and investment banking activities, the venture is the first such application in China and it has sparked official re-thinking of the adequacy of the existing regulations governing foreign banks.

BoC's Mr Luo indicated earlier that China is considering promulgating new regulations or amending existing legislations to cover this new category of financial institutions in the country.

Mr Luo further believes that such wholesale banking will pose no threat, but rather complement activities of other foreign banks in Shenzhen which are basically orientated towards traditional and retail banking.

Banking sources further indicate that a number of existing foreign banks in the SEZ's [Special Economic Zones] in China are closely watching the officials' position on the five-party venture, as they expect this may bring about a further relaxation on the business scope allowed for foreign banks in the country.

They believe the current venture may be able to handle foreign currency dealings on behalf of the specialized banks of China, which will be a very significant advantage over the activities of all existing foreign banks in the country.

If business expands, they believed other foreign banks are most likely to follow suit and apply for similar ventures.

Sources added that though the capital involved in the venture has still to be finalized, but it is agreed that each of the five partners will get a equal stake of 20 percent.

Denomination of the share capital is expected to be in a basket of foreign currencies, the bulk of which is likely to be in U.S. dollars with the remaining to be spread between the Hong Kong dollar, yen, sterling and deutschemark.

/12858
CSO: 4020/397

FOREIGN COMMERCE MINISTRY OFFICIAL ON JOINT VENTURES DECLINE

HK300750 Hong Kong AFP in English 0740 GMT 30 Jul 86

[By Pierre-Antoine Donnet]

[Text] Beijing, 30 July (AFP)--China can no longer create joint ventures at the same pace as before, a Foreign Commerce Ministry official said Thursday [as received] as official figures reflected a fall in foreign investment.

Liu Xiangdong made the comment as new figures showed a 20 percent drop in the first half of 1986 in the value of contracts signed with foreigners to invest directly in China, compared with the same period last year.

Contracts in the first half of this year were worth 1.24 billion U.S. dollars, the figures indicated. The total of foreign investment which has actually been made grew 6.9 percent to $722 million, Mr Liu said at a news conference. The figures pale against 1985, a record year, in which foreign investment totalled $5.85 billion--up 120.7 percent over the previous year.

"It's obvious that to maintain such an increasing speed is impossible for every year, and also not necessary," said Mr Liu. "This year we shall do some adjustments...which will be good for the consolidation of future investments," he said.

A Western diplomat said the decline suggests disenchantment among foreign investors, as well as growing care being shown by Chinese officials in their choice of joint-venture projects. To get involved in joint enterprises might still be good business, he said, "but it's difficult and risky."

"China has gotten just about all the joint venture companies which were priorities," added a Western expert in commercial matters. "Today the authorities will approve only part of the contracts signed on a very selective basis, growing from their real needs."

Problems faced by Western joint-venture partners such as American Motors Corporation and Volkswagen have also dimmed the enthusiasm that accompanied the liberalization of China's economy which began in 1979, the expert said.

American Motors' investment in Beijing Jeep had been hailed as a model of Sino-foreign cooperation. But at one point the U.S. automaker threatened to pull out because of enormous difficulties in obtaining foreign exchange needed to import parts and some pre-assembled jeeps to Beijing.

Volkswagen Shanghai, created in 1984, also faced similar problems in the last half of 1985.

Mr Liu said 90 percent of joint venture companies have been making money--a figure disputed by Western diplomats--but he acknowledged that administrative demands have long provoked complaints from foreign partners.

"Our government is now working very hard to improve the investment climate in China and try to improve all the procedures," he said. Between January and July, he said, China approved the creation of 656 joint-venture projects, as well as 10 undertakings financed exclusively from abroad. That compared with the more than 2,000 joint enterprises and 120 foreign-owned ventures created last year.

Eighty percent of foreign investments came from Hong Kong and Macao, he said, a proportion which has varied little in recent years and does not signify and lack of confidence among Western entrepreneurs.

Chinese borrowing abroad, meanwhile, grew more than 200 percent in the first half of 1986, reaching $2.57 billion.

Beijing announced in April that it would borrow twice as much abroad this year than in 1985 to finance the country's economic development.

/12858
CSO: 4020/403

TIANJIN OFFICIAL ON FOREIGN INVESTMENT, TRADE

HK170818 Hong Kong TA KUNG PAO in English 17-23 Jul 86 p 16

[By staff reporter]

[Text] Before the end of June 1986, Tianjin had signed 164 joint-venture contracts with foreign businessmen for a total investment of US$566 million, of which, US$275 were staked by businesses abroad.

Hong Kong ranked first both in the number of projects and in the amount of investment--accounting for 76 projects and 53.12 percent of the total foreign investments. The U.S. came second with 25 projects and 31.35 percent of the investments. Japan ranked third with 41 projects and 8.83 [percent] of the investments and Singapore came fourth with 6 projects and 6.78 percent of the investments.

The above was disclosed by Zhang Zhaoruo, deputy secretary-general of the Tianjin Municipal People's Government and director of the Tianjin Commission of Foreign Economic Relations and Trade.

At a seminar on 'Tianjin Opening to the World' held in town on 15 July, Mr Zhang told his audience that since Tianjin exports a large quantity of commodities abroad via Hong Kong every year, the latter is important for the former's foreign trade development. Tianjin has to foster closer links with Hong Kong before strengthening its trade relations with other countries, Zhang suggested.

Situated 130 km southeast of Beijing, Tianjin is one of the biggest three cities of China. It is also an important port city and industrial centre in North China.

Last year, Zhang went on, Tianjin's overall export value to Hong Kong and re-export value via Hong Kong amounted to a total of US$184 million. Hong Kong has become a vast export market for Tianjin second only to Japan. Moreover, the total value of the city's imports from Hong Kong reached US$73 million, he added.

Zhang said that, in Tianjin, Hong Kong invests mainly in hotels, factories and service industries while the municipality is very interested in Hong Kong's printing and dyeing technique as well as electronic products.

Of the 164 joint ventures, 64 have been put into operation and most of them earned good returns. In the first six months of this year, Tianjin achieved a favorable balance of US$1.44 million in foreign trade.

In the coming five years, he went on, Tianjin will invest RMB1.8 billion in its port construction. This will be raised from its business profits, the government appropriation and foreign bank loans.

In order to adapt to the changing economic environments both at home and abroad, Tianjin will raise capital from international monetary markets. It plans to issue bonds in Japan as well as in Hong Kong at an opportune time. Zhang disclosed that the Chinese government has approved Tianjin's proposal of raising US$150 million in the form of commercial loans and bond issues.

Speaking at the seminar, Mr Yi Zhikuan, committee member of the Management Commission of the Tianjin Economic-Technological Development Area (TEDA), said that the zone, located in the coastal area southeast of Tianjin, is a new special economic region approved by the State Council in December 1984. It is similar to those export processing areas in Southeast Asia countries in the sixties.

It has been stipulated that foreign businessmen who invest or run enterprises in TEDA will enjoy preferential treatments similar to those in the four special economic zones in South China. These privileges include the reduction of the income tax of the industrial enterprises and their remittance of profits free of remittance tax.

At present, TEDA has signed 27 joint-venture contracts at a total investment of US$50.5 million. Hong Kong accounted for 11 items of these projects. The zone aims at more than 100 joint ventures over the next five years, Yi said.

Meanwhile, a Tianjin Export Commodities Exhibition will be held at the Hong Kong Exhibition Centre 22-28 July. Yi said some 800 Tianjin factories have supplied the exhibition with 2,700 items of industrial products, half of which are new varieties of the Tianjin textiles, electronics and machinery industries.

/12858
CSO: 4020/397

FOREIGN TRADE AND INVESTMENT

NATION'S ELECTRONICS EXPORTS INCREASE IN FIRST HALF OF YEAR

OW030916 Beijing XINHUA in English 0806 GMT 3 Aug 86

[Text] Beijing, August 3 (XINHUA)--China's electronics exports in the first half of this year jumped to 223 million U.S. dollars, 9.7 times over the same period of last year, according to an English journal.

The BEIJING REVIEW reports that the export electronics include color TV sets, tape recorders, radios, computers and peripheral equipment, radio equipment, loudspeakers and components.

Wang Enzhi, an official of the China National Electronics Import and Export Corporation, said that growing export of complete sets of electronic consumer goods, instead of parts and components as before, marks a striking change in the electronics trade.

He said China also began to sell abroad production lines and technology. Agreements and letters of intent have been signed with South Asian countries on export of production lines of black-and-white TV sets, electric fans, radios and technical transfers.

Chinese electronics products are selling to more than 30 countries and regions. Its radio-recorders and TV sets have been marketed in Europe, Japan and the United States.

Wang attributed the sharp increase to the expansion of China's electronics industry, which has been updated through import of technology and equipment.

He said some Chinese electronic products are competitive on the international market due to improved quality.

He expects China's electronics export to reach 400 million U.S. dollars [as received] by 1990.

The China National Electronics Import and Export Corporation, established in 1980, has branches in 17 provinces and municipalities in China and representative offices in Federal Germany, the United States and Hong Kong.

/8309
CSO: 4020/406

BIDDING FOR IMPORTED EQUIPMENT APPEARS EFFECTIVE

OW221820 Beijing XINHUA Domestic Service in Chinese 1145 GMT 21 Jun 86

[By Reporter Ge Daxing]

[Text] Beijing, 21 June (XINHUA)--State Councilor Zhang Jingfu said: We should pay great attention to importing advanced foreign technology and equipment on the one hand, and persist in developing economy within the scope of our capability on the other. Only in this way can we carry out the policy of opening to the outside world thoroughly and correctly, achieve a real success, and attain a gratifying economic result.

The above remarks were made by Zhang Jingfu today at the third meeting of the Board of Directors of the China bidding center for machinery and electrical equipment. According to Li Kaixing, president of this center's Board of Directors, the work of inviting domestic tenders prior to the importation of machinery and electrical equipment has gradually taken shape in China after nearly one year of experimentation. Eight bidding companies have been set up in Beijing, Tianjin, Shanghai, Wuhan, Guangzhou, Chongqing, Xian, and Shenyang respectively. Most of them have started their first trial bidding; so far, seven items, through bidding, were assigned to domestic units for design and manufacture. According to the statistics of results of the previous five biddings, a total of $5 million in foreign exchange, and 5.5 million yuan in investment were saved.

Zhang Jingfu, referring to the current situation in China's reform and economic development, pointed out: In the past year, the implementation of domestic bidding before importing machinery and electrical equipment from abroad and the improvement, through economic means, of the administrative procedures in importing equipment have been conducive to avoiding unnecessary importation of duplicate items; to enhancing lateral economic cooperation between related units and production enterprises; to exploiting the potential of domestic industrial enterprises, especially that of military industrial enterprises, in designing and manufacturing machinery and electrical equipment; and to accelerating technological progress in China. A great number of things still have to be done in this regard. From now on the system of inviting tenders should also be gradually applied to the purchase of domestically-made machinery and electrical equipment.

Zhu Rongji, vice minister of the State Economic Commission, urged that greater attention should be paid to the organization and development of the work of bidding for machinery and electrical equipment. He also called for efforts to train a work team that is sound in ideology, workstyle, and work performance, in the course of practicing such a system, so that it can better assume the responsibility of organizing the work of public bidding.

/12913

FOREIGN TRADE AND INVESTMENT

PRC SEEKS FOREIGN COOPERATION FOR SPARE PARTS SUPPLIES

HK240658 Beijing CHINA DAILY in English 24 Jul 86 p 2

[By staff reporter Liu Dizhong]

[Text] China is seeking close cooperation with foreign enterprises to expand its supplies of spare parts and improve maintenance for machinery and vehicles imported over the past few years.

In the early 1980s, China accepted massive imports of foreign industrial products. Since then, shortages of spare parts and lack of timely maintenance has been a headache for Chinese users.

The China National Machinery Import and Export Corporation has taken the lead in meeting the need. Since 1980, it has established a network throughout the country with 60 centres in charge of supplying spare parts, providing maintenance and training personnel.

With close cooperation from a dozen foreign companies, the corporation is mainly involved in supplying spare parts for imported engines, locomotives, trucks, cars, printing machines, bearings, oil exploration equipment, hydraulic products and other machinery.

Its partners include firms in the United States, the West Federal Republic of Germany [as published], Japan, Denmark, Sweden, Britain, the Soviet Union, Poland, Romania and the Democratic Republic of Germany.

One of its new partners is Vickers of the United States, which last month opened a consignment stock in Qinhuangdao of Hebei Province to provide quick service for hydraulic products.

Vickers' products are used extensively on injection moulding machines manufactured in China, mostly for the domestic market. Using equipment from Vickers, one of the world's leading producers of fluid power systems, helps to sell China-made machinery abroad. The Qinhuangdao consignment stock includes products suitable for use on injection moulding machines.

Vickers plans to expand its cooperation with China, particularly in the field of technology transfer and supply of advanced electronic and electro-hydraulic products and systems.

"The future for Vickers in China appears to be very bright," said W.F. Wesmann, manager of the Vickers office in Hong Kong.

It is expected that supplies of spare parts will become a prosperous industry in China. Service centres have mushroomed throughout the country in the last few years. And the nation now has 4,000 auto parts suppliers.

/8309
CSO: 4020/411

FOREIGN TRADE AND INVESTMENT

PRC'S EXPORT OF FARM MACHINES BREAKS RECORD

HK290803 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1117 GMT 25 Jul 86

[Text] Hong Kong, 25 July (ZHONGGUO TONGXUN SHE)--According to a report from Beijing, China's situation in exporting farm machines is good: In the first half of this year, the export volume reached $15.75 million, marking a record high for that period.

China's farm machine industry has been set up for more than 30 years and has a certain level production capacity. China can now produce a wide range of products. In recent years, due to the introduction of advanced technologies, the quality and properties of the farm machines have been improved. More and more foreign users are now interested in China-made farm machines. China-made farm machines hold a leading position in the markets of the United States, Australia, and Canada. China's dual-purpose rice and wheat reapers are very popular with users in Southeast Asian countries. This type of machine has been included in the promotion plans of the UN Asia-Pacific Economic and Social Commission and the Asia-Pacific Farm Machine Association. In addition, the Shanghai-504 and Jiangsu-504 tractors twice won in the drawing-power contests against brandname tractors made in the United States and Italy at the "field day"international fairs in Australia in 1984 and 1985.

At present, China's farm machines have been exported to 97 countries and regions.

/12232
CSO: 4006/1250

PRC TO BOOST TEXTILES QUALITY TO WIN EXPORT SALES

HK060502 Beijing CHINA DAILY in English 6 Aug 86 p 2

[By staff reporter Tian Ying]

[Text] China's textile industry is poised to win a larger share of the world market by boosting quality rather than quantity, a senior official from the country's leading textile trading company said yesterday.

In the first seven months of this year, China's textile exports reached $3.2 billion, up around 65 percent on the same period last year, said Zhou Yunzhong, president of the China National Textiles Import and Export Corporation.

The increase in exports, he said, was due to a recovery in the West's textile markets as well as "our efficient measures to expand the business, as the textile industry has become more flexible over exports."

The country's textile products for export mainly fall into the following categories: yarns, garments and manufactured textile goods, such as bed-covers and table-cloths.

Many Chinese textile firms have been allowed to produce Western-designed clothes, which are exported after they pass quality inspections by the foreign firms, the president said in an interview with CHINA DAILY.

The industry also makes garments with materials supplied by foreign companies, he said. The new production policy has spurred garment exports to $790 million in the first seven months of the year from $490 million for the same period of 1985, Zhou added.

"The international textile market is more active at the moment than last year due to the revaluation of Western European currencies against the U.S. dollar," said the president, who has just returned from a one-month visit to West Europe.

Westerners were very fashion-conscious, Zhou observed. They wear casual clothes on holidays and various kinds of sportwear when exercising.

"The market demand is spurring us to take further steps to improve quality and increase the variety of our products," he said.

The design and quality of Chinese textiles, clothes and other products, still need much improvement. Last year, China sold its garments at an average wholesale price of $35 a dozen to European countries while the average price for Hong Kong and South Korean garments was $62 and $57 respectively.

In order to expand exports, Zhou's corporation is combining foreign trade with production, and several joint venture companies have been established between the trade corporation and textile, printing and dyeing mills.

Factories were encouraged to join in negotiations between Chinese textile trading corporations and foreign businessmen, Zhou said.

In the last year, textile import and export corporations have simply sold what factories produced. They had to lower prices if products did not sell.

"But now factories have begun to produce for export and it is a promising change that should push textile exports forward," the president said.

In the first seven months of this year, China's textile exports to Hong Kong hit $1 billion. Exports to the [word indistinct] reached $600 million and China sold $400 million worth of textile products to Japan according to the latest statistics.

/8309
CSO: 4020/409

LIAONING EXPORT COMMODITY FAIR TRANSACTIONS SUCCESSFUL

HK130350 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1221 GMT 10 Jul 86

[Text] Dalian, 10 July (ZHONGGUO XINWEN SHE)--The eight day export commodities fair of Liaoning Province closed here today. Representatives from the industrial and trade circles of Liaoning Province, those from 12 cities in the province, and some 1,000 foreign businessmen from all over the world participated in this foreign trade fair, the largest ever held in the province. The gross value of import-export contracts concluded during the fair amounts to $115 million.

Present at the commodities fair were representatives of trade circles from the United Kingdom, the United States, France, the FRG, and other countries, apart from those established customers from Japan, Hong Kong, and Macao who have maintained close ties with Liaoning Province for many years. The newcomers showed great interest in starting projects to explore material resources and develop new technology in Liaoning Province. Representatives of more than 30 business firms from Malaysia eagerly took part in trade talks. The Sino-American Food Company Limited promptly offered the Dalian pharmaceutical and tonic trade group an order for "Ginseng Cola" valued at $2 million.

During this trade fair, Liaoning Province made a breakthrough in introducing advanced technology with foreign funds. Dalian City signed an agreement which will enable it to introduce a "programmable control unit" from the FRG Siemens Company, while Shenyang Enamel Plant concluded a joint venture worth $7.88 million with the Japanese Sanwa Technological Development Company Limited to produce stainless steel tabletops.

/12913
CSO: 4006/1254

MORE INTERNATIONAL FAIRS ABROAD PLANNED FOR 1986

OW310256 Beijing XINHUA in English 0146 GMT 31 Jul 86

[Text] Beijing, 31 July (XINHUA)--The Chinese Council for the Promotion of International Trade is to hold and attend a total of 17 international fairs abroad in the second half of this year, an official of the council told XINHUA today.

The official said China will be present at the following international fairs: In Turkey from 26 August to 12 September, in Iran from 11 to 22 September, in Iraq from 1 to 15 November, in Democratic Germany from 31 August to 6 September, and in Hungary from 19 to 28 September.

China is also to hold two export fairs in Cameroon in October and November, and one in the United States from 26 September to 26 October. At these fairs China will exhibit traditional handicrafts, textiles, silk, pottery and building materials.

The official also said that another four fairs are to be held in France, Nicaragua, Panama and the Soviet Union, respectively.

At the Chinese Economy and Trade Fair which was held in the Soviet Union from 25 July to 10 August, the displays included machinery, iron and steel, nonferrous metals, industrial chemicals, shipbuilding technology, astronautics, electronics, textiles, silk, handicrafts, and food and beverages. During these fairs, trade talks will also be given, the official said.

The council attended and held a total of seven international fairs in Europe, Asia, and North America in the first half of this year, he said.

/12858
CSO: 4020/403

FOREIGN TRADE AND INVESTMENT

BRIEFS

PORTS TO INCREASE--China's Minister of Communications Qian Yongchang said: In the next five years, cooperation between China and foreign countries in jointly building and operating port facilities will increase. He said: The port facilities built with Chinese and foreign joint investments will be mainly located in districts which are open to foreign countries. They will include underwater infrastructures, ground facilities, and other equipment to make a complete project. The ports and piers under Sino-foreign joint management will operate cargo loading, unloading, and storage facilities, and provide owners of cargo and ships with various services. Qian Yongchang said: From 1986 to 1990, China plans to build 100 to 120 deep-water berths and 80 medium-sized and small berths. China welcomes companies, enterprises, or individuals that are willing to form joint ventures with China in building port facilities, and will give them preferential treatments in accordance with the actual situation. [Text] [Beijing International Service in Mandarin 0900 GMT 20 Jul 86 OW] /12913

ZHEJIANG DELEGATION VISITS POLAND--Warsaw, 12 July (XINHUA)--The minutes of talks signed here today by a delegation from China's Zhejiang Provincial Government and the Polish Foreign Trade ministry point out: "Both sides are interested in maintaining long-term cooperation in the barter trade and cooperation in the textile and machinery industries." The Zhejiang Provincial Government delegation, headed by Vice Governor Xu Qichao, arrived in Poland on 6 July for a visit at the invitation of the Polish Foreign Trade Ministry. During the visit, the delegation held talks with the Polish Foreign Trade Ministry and visited spinning and weaving works and a number of companies making textiles, garments, knitwear, electrical appliances, and complete sets of equipment. The delegation also toured the cities of Warwar, Krakow, and Lodz. The Zhejing Provincial Government delegation left Warsaw for home by air this afternoon. [Text] [Beijing XINHUA Domestic Service in Chinese 0123 GMT 13 Jul 86 OW] /12913

SICHUAN DEVELOPS EXPORTS--The amount of exports of Sichuan province in the first half of this year increased by a wide margin and was 53 percent more than in the same period last year. The increase in exports of our province exceeded the national average increase in exports. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 22 Jul 86 HK] /12913

EXTERNAL ECONOMIC COOPERATION PROMOTED--According to CHONGQING RIBAO, Chongqing City has worked hard to develop external economic and technological cooperation in the past two years. By the end of May, the city had sent 1,580 staff and workers abroad to work on construction contracts. The city was undertaking 24 contracts worth a total of $98 million. These projects include an eye hospital in Libya, and the (Diwania) cotton textile mill and (Nilawa) sewing factory in Iraq. The city has also opened windows in a number of countries and regions and organized joint ventures with them, so as to open up ties with the world and let the world know about Chongqing. The city can now undertake whole construction projects and export complete projects including the technology, equipment, and labor. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 20 Jun 86 HK] /12913

FUJIAN'S DEPOSIT-TAKING JOINT VENTURE--Fuzhou, 17 July (ZHONGGUO XINWEN SHE)--A deposit-taking firm jointly run by the Bank of China Jinjiang branch office and Jinjiang Foreign Trade Bureau officially started its business in Jinjiang County yesterday. By noon yesterday, its renminbi savings deposit was close to 100,000 yuan. Hong Kong and American dollars were also deposited with the firm. This deposit-taking firm, Fujian's first joint venture involving the Bank of China and a foreign trade department, provides services of renminbi current deposit, renminbi fixed deposit, overseas Chinese fixed deposit, and Category C foreign currency savings deposit. Reportedly, the firm will soon start foreign exchange services. Over 50 Chinese-foreign joint venture enterprises are now operating in Jinjiang County. The county needs between 30 to 40 million yuan annually to purchase goods for export. The purpose of establishing this firm is to promote foreign trade in Jinjiang, overseas Chinese hometown, and to bring into full play the role of idle funds in society, and funds which factories and enterprises are not using temporarily. [Report: "Fujian's First Joint Venture Deposit-Taking Firm Between the Bank of China and a Foreign Trade Department Goes Into Operation"] [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 0165 GMT 17 Jul 86 HK] /12232

GUANGZHOU TO GIVE EXPORTERS INCENTIVES--Beijing, 23 July (XINHUA)--The Guangzhou authorities have decided to grant preferential treatment, such as for equipment imports, to members of a new club that export at least one million U.S. dollars-worth of goods each a year. Today's overseas edition of the PEOPLE'S DAILY said the move is aimed at stimulating Chinese businesses and Sino-foreign joint ventures in the provincial capital of Guangzhou to expand exports. Only businesses and ventures that top the annual export mark can be admitted to the club. Members will have the opportunity of sharing their experiences in opening up foreign markets and information on the international market. Other preferential treatment includes supplies of raw materials and energy, workers' welfare and sales promotion abroad. Guangzhou is one of the 14 coastal cities granted greater authority over foreign investment and trade last year. [Text] [Beijing XINHUA in English 0551 GMT 23 Jul 86 OW] /12858

GU MU MEETS HUNGARIAN CUSTOMS DELEGATION--Beijing, 27 June (XINHUA)--State Councillor Gu Mu met a delegation of the Hungarian Customs Administration headed by Imre [name as received] Gercsar, deputy commander of the Customs and Finance Guard of Hungary, here today. Gu Mu said both China and Hungary are engaged in the reform of their own economic management systems, trying to seek a socialist road suitable for their own practical conditions. He added that the two countries can learn from each other by sharing experience in this respect. Gu Mu hoped that the two sides will strengthen their cooperation in economy, trade, science and technology. Gercsar said he visited the Shenzhen Special Economic Zone and was deeply impressed by economic development there. He said Hungary is interested in participating in construction projects of China's special economic zones and technological renovation of old factories. Both sides also exchanged views on strengthening cooperation in customs affairs. The Hungarian guests arrived here 18 June at the invitation of Dai Jie, head of the General Administration of Customs of China. They visited Shanghai, Guangzhou and Shenzhen. [Text] [Beijing XINHUA in English 1343 GMT 27 Jun 86 OW] /12858

EUROPEAN FERTILIZER PRODUCTION CONTRACTS--Zhengzhou, 31 Jul (XINHUA)--The Zhongyuan Chemical Fertilizer Plant in Henan Province tonight signed contracts to import two European chemical fertilizer production lines, according to Henan Province officials. They said the state-owned plant will buy a 300,000-ton synthetic ammonia production line from the UHDE Company of the Federal Republic of Germany and a 520,000-ton production line to make urea, a nitrogen fertilizer, from the Snamprogetti Company of Italy. Both lines meet "advanced international standards," they said. According to the contracts, the lines will be completed in 1989 and use natural gas for fuel. The officials did not say how much they would cost. The plant is in Henan's Puyang County, in an area rich in oil and natural gas on the northern bank of the Yellow River. [Text] [Beijing XINHUA in English 1506 GMT 31 Jul 86] /8309

FOREIGN ENGINEERING PROJECTS SIGNED--Beijing, 30 July (XINHUA)--China signed 326 contracts on contracting engineering projects and labor service cooperation abroad in the first half of this year, involving 688 million U.S. dollars, a spokesman from the Ministry of Foreign Economic Relations and Trade said at a news briefing here today. About 50,000 Chinese are working abroad for the implementation of these contracts, and the turnover amounted to $400 million during the period, he added. China established 35 non-trade joint ventures of various kinds abroad in the January-June period, Liu Xiangdong said, bringing the total number of such enterprises to 214, with a total investment of $340 million, of which China invested $195 million. These enterprises are scattered in 49 countries and regions. To keep up with the development of the business, he added, three more corporations have been set up this year to engage in contracting engineering projects and labor service cooperation abroad, bringing the total number of such corporations to 66. [Text] [Beijing XINHUA in English 0935 GMT 30 Jul 86 OW]/12858

TAX AGREEMENT WITH ITALY--Beijing, July 25 (XINHUA)--An agreement between the governments of China and Italy for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was initialed here this afternoon. Jin Xin, director of the General Taxation Bureau of the Chinese Ministry of Finance, and Raffaele Marras, Italian ambassador to China, attended the signing ceremony. [Text] [Beijing XINHUA in English 1058 GMT 25 Jul 86] /8309

INCREASED COAL EXPORTS PLANNED--Beijing, 4 August (XINHUA)--China plans to export 10 million tons of coal this year, 2.4 million tons more than in 1985, GUANGMING DAILY [GUANGMING RIBAO] reported today. An official of the China National Coal Import and Export Corporation told the paper coal will become increasingly important as a source of foreign exchange. At 850 million tons, China has the largest coal production in the world. Over the past three years, coal output has increased an average of 60 million tons annually. The increase came as a result of technological retooling and the growing participation of individuals and collectives in coal mining, according to the official. [Text] [Beijing XINHUA in English 0204 GMT 4 Aug 86 OW] /12858

PLANT DIVIDENDS TO FOREIGN INVESTORS--Urumqi, June 20 (XINHUA)--The first joint venture in the Xinjiang Uygur Autonomous Region of Northwest China has paid its initial dividend, a company representative told XINHUA here today. The Tianshan Wool Company paid Chinese, Hong Kong and Japanese investors dividends equal to 27.9 percent of each party's investment and expects to return an amount equal to their entire investment over the next two years, the representative said. The company has not disclosed the amount of investment by the parties involved. According to the firm, profits in 1985 totaled 10.78 million yuan, up 150 percent from 1984. Although the company has been profitable every year since 1982, the board of directors in 1983, 1984, and 1985 voted to reinvest the previous year's earnings in the business. [Text] [Beijing XINHUA in English 1440 GMT 20 Jun 86] /8309

SINGAPORE PETROCHEMICAL EXPORTS TO PRC--Singapore, July 16 (XINHHA)--Singapore's petrochemical exports to China in the first five months of this year nearly doubled compared with same period last year, according to a news release of the Trade Development Board today. The volume in the period was worth 262 million Singapore dollars (119 million U.S. dollars), compared with 133 million Singapore dollars in the same period last year, the release said. Meanwhile, it said more than five million tonnes of Chinese crude oil was refined in Singapore last year, accounting for about 15 percent of the country's crude oil refinery throughput. A delegation of the China National Import-Export Corporation visited Singapore recently and had talks with Singapore Trade Development Board on the promotion of the petrochemical trade between the two countries. China is the eighth biggest export market of Singapore. [Text] [Beijing XINHUA in English 1135 GMT 16 Jul 86] /8309

SILK EXPORTS--Beijing, August 5 (XINHUA)--China earned nearly 500 million U.S. dollars from silk exports during the first five months of the year, 70 million dollars more than during the same period in 1985, the ECONOMIC DAILY reported today. At the same time, export contracts reached 600 million dollars, up 22.5 percent over the earlier period. Industry experts say the year's silk exports will reach 1.1 billion dollars, the paper said. According to the ECONOMIC DAILY, the export growth has been made possible by changes in domestic economic policy and in the international market. At the international market, traders have become more interested in silks and other commodities following the steep fall in the price of oil. In addition, the paper said, since silk exports are not limited by international agreements, the fabric has become increasingly popular as material for a wide variety of clothes. [Text] [Beijing XINHUA in English 0123 GMT 5 Aug 86] /8309

GUANGXI TEXTILE EXPORTS--Beijing, 2 Aug (XINHUA)--Guangxi Zhuang Autonomous Region had exported textile products worth 15.8 million U.S. dollars by 25 July, fulfilling the quota set for the year. [Text] [Beijing XINHUA in English 1159 GMT 2 Aug 86 OW] /8309

$716 MILLION FOREIGN CONTRACTS, JAN-MAY--Southern China's Guangdong Province signed 3,747 contracts with foreign businessmen involving the use of US$716 million in foreign funds in the first five months of this year. Besides, the province utilized some US$250 million foreign funds in the first five months of this year, an increase of 9.7 percent over the same period of 1985, said an official of the provincial foreign economic and commercial committee on 3 July. Altogether, the province has utilized over US$2.9 billion in foreign funds since 1979 when the country implemented the policy of opening to the outside world. This year, foreign capital has been attracted to the energy industry, transport, communications, and upgrading of existing enterprises, the official said. Meanwhile, out of 184 contracts signed this year on joint ventures and cooperative businesses, 87 percent were concentrated on manufacturing. [Text] [Hong Kong TA KUNG PAO in English 10-16 Jul 86 p 4] /8309

CSO: 4020/410

SHENZHEN ECONOMIC COOPERATION PROJECTS CITED

OW021554 Beijing XINHUA in English 1448 GMT 2 Jul 86

[Text] Beijing, July 2 (XINHUA)--The Shenzhen Special Economic Zone in Guangdong Province has carried out economic and technical cooperation with enterprises from hinterland areas in the past few years while actively absorbing foreign capital from around the world.

According to the special economic zones office under the State Council, to date Shenzhen has started 2,359 enterprises and institutions in cooperation with 27 central departments and 28 provinces, autonomous regions and municipalities throughout the country, involving a total investment of 5.6 billion yuan (rmb).

The economic cooperation has made up for the shortage of technical force and funds in the zonal development. More than 500 industrial enterprises were set up, covering electronics, machine-building, textiles and light industries, with a total industrial value of over 360 million yuan in 1985, accounting for nearly one-fifth of the zonal total industrial value. More than 170 kinds of products manufactured by these enterprises were sold on the international market.

Moreover, the departments and enterprises in hinterland areas sent over 12,000 engineers and technicians to the cooperative projects.

In addition, they cooperatively opened more than 1,000 commercial undertakings and over 500 projects on building, scientific research, crop cultivation and animal-raising.

Shenzhen also attached much importance to the cooperation in its early stage of construction. At the beginning of 1980s, they cooperatively completed industrial workshops, workers' quarters, commercial buildings and public undertakings with a total floor space of over nine million square meters, and built infrastructural projects in an area covering 38 square kilometers, thus paving the way for the zone's further development.

The economic cooperation has also given an impetus to the technical upgrading of the enterprises in the hinterland areas. A case in point is Hualian

Textiles Co., Ltd., composed of textile units from 18 provinces and municipalities, which have helped the enterprises in the hinterland areas get information on world markets and technology, and provide the training of personnel, while importing advanced technology and equipment for them.

To further the economic and technical cooperation, efforts are being made by the zonal authorities to formulate regulations on perfecting management and preferential treatment for cooperative enterprises.

/8309
CSO: 4020/411

SHENZHEN SECOND QUARTER EXPORT VALUE UP 23.6 PERCENT

HK100443 Hong Kong TA KUNG PAO in English 10-16 Jul 86 p 4

[By TA KUNG PAO reporter from Shenzhen]

[Text] The gross export value of Shenzhen Special Economic Zone increased by 23.6 percent in the second quarter of this year, compared with the same period of last year, Mayor of Shenzhen Li Hao disclosed on 5 July.

Speaking on the economic conditions of Shenzhen after economic adjustment at a lychee-tasting party held in the Shenzhen Xi Li Hu HOLIDAY Resort, Li said the amount of foreign exchange earnings of exports in the first five months of this year was up 57 percent and that of foreign capital utilized up 7.5 percent, compared with the same period last year.

Moreover, Li said, the gross value of industrial output increased by 4.24 percent, compared with the same period last year.

The revenue grew by 3.5 percent in the first five months of this year, compared with the same period last year, the mayor added.

The mayor said the economic and technological cooperation between Shenzhen and Hong Kong has been expanding greatly for the past six years. He expressed the hope that the two cities would further strengthen their cooperation in industry, finance, trade, tourism and technology.

The lychee-tasting party was sponsored jointly by the Shenzhen Municipal People's Government and the Hong Kong branch of XINHUA NEWS AGENCY. The guests included Hong Kong and Macao deputies to the NPC and CPPCC members.

/8309
CSO: 4020/410

NEW LABOR CONTRACT SYSTEM SUCCEEDING IN SHEKOU

OW011048 Beijing XINHUA in English 0653 GMT 1 Aug 86

[Text] Shenzhen, August 1 (XINHUA)--The Shekou industrial area--a special zone close to Hong Kong and open to foreign, Hong Kong and Macao investment--are breaking the "iron rice bowls" of the workers while improving their social security network.

A labor contract system has been introduced throughout the area. It allows the bosses to fire their employees, who can in turn quit themselves in order to look for better jobs. The system is in line with China's law of labor management for joint ventures using Chinese and foreign capital.

The unemployed need not worry about their livelihoods. Now all the 16,000 workers and officials in the area have joined the labor security system offered by a local social security company. Under this system, they enjoy free medical treatment and receive basic food allowances and retirement pension.

The zone's 3,000 temporary workers have also joined an old-age pension scheme.

A local official told XINHUA today that the local enterprises find that flexibility in the number of employees is appropriate for the changing needs of the international market, he added.

People often see about 100 unemployed workers waiting outside the labor service company, which is responsible for recommending jobs and providing food allowances for those fired by their bosses.

Every month, workers in joint-venture enterprises are required to contribute 170 Hong Kong dollars--about 20 percent of their monthly wages--to the company's welfare program, which covers medical expenses and other public welfare benefits, said the manager of the company.

In addition, more than 4,000 workers have also applied for security covering industrial injuries.

/8309
CSO: 4020/410

SHEKOU ECONOMIC ZONE SEEN DEVELOPING FAVORABLY

OW041350 Beijing XINHUA in English 1330 GMT 4 Aug 86

[Text] Beijing, August 4 (XINHUA)--Today's PEOPLE'S DAILY carried an investigation report on the development of the Shekou industrial area facing Hong Kong, calling it "a new outward-looking industrial area" that has provided useful experience for building special economic zones, and economic and technical development zones.

Shekou, covering an area of 4.5 square kilometers, is part of the Shenzhen special economic zone in Guangdong Province, developed by the China Merchants Steam Navigation Co., Ltd.

Since it was established in 1979, it has spent 313 million yuan on infrastructural construction, thus preparing good conditions for attracting foreign investment.

According to the report, the area had by the end of last year attracted 1.4 billion Hong Kong dollars in foreign investment, completed more than 50 factories and exported more than 100 categories of industrial products, accounting for nearly 67 percent of the total industrial output value.

The whole industrial area, including foreign enterprises, cooperative schemes and joint ventures--which account for 77.6 percent of all enterprises--showed a 135 million HK-dollar surplus in foreign exchange.

The area has done everything it can to boost exports by introducing new technology, developing new products and processing raw materials or primary products from other parts of the country.

In addition, the area has upgraded the management of foreign enterprises and joint ventures. Following the promulgation of the statistics law in the area, it has issued regulations on the punishment and reward concerning statistical work. Up to the present, the area has issued 13 laws and regulations governing the management of joint ventures and foreign enterprises.

Local officials said that they were still working to perfect the economic legislation so that the enterprises will become even more efficient and profitable.

The report says that the industrial area began to recover its investment from 1982, and by the end of 1985 it had recovered 120 million yuan, about 38 percent of the total investment. It is expected that the investment recovery will be stepped up beginning this year as some of the industrial enterprises will raise their production capacity and the terms for tax exemption for some enterprises will soon expire.

/8309
CSO: 4020/410

LARGEST STEEL COMPLEX TRAINS WORKERS

OW271354 Beijing XINHUA in English 1337 GMT 27 Jul 86

[Text] Shenyang, 27 July (XINHUA)--The Anshan Iron and Steel Company, China's leading steel producer, plans to invest 67.84 million yuan in workers' education in the 1986-90 period, two percent more than in the previous Five-Year Period, according to an official of the company.

Lu Liangmin, official in charge of education of the company, told XINHUA that the company has set up an educational network comprising occupational training, secondary and higher learning. The trainees include workers, managers and officials as well as young people before employment.

The iron and steel company in Liaoning Province, northeast China, has 210,000 employees, including 170,000 factory workers. Since 1949, the enterprise has provided 12,000 managers and 38,000 technical workers for other metallurgical enterprises all over the country, apart from its production of 156 million tons of steel, 117 million tons of rolled steel and accumulation of 36 billion yuan for the state, according to Lu.

He said that the enterprise began large scale of workers' education in 1980 when young people were mobilized to learn techniques and culture. Then, secondary technical and cultural education program was implemented while officials were given courses of foreign languages, electronic computer and basic theoretical courses of higher learning institute, and managers were required to renew their knowledge with modern management and other disciplines.

Over the past five years, 90 percent of the 20,000 group chiefs in the company have participated in various training courses. The 1981-85 period also saw a total attendance of 459,000 in all training courses, averaging 91,800 or about 50 percent of the staff workers each year.

At the same time, 7,500 people graduated from workers' colleges and technical schools.

The training drive has paid off in many fields. For example, Cai Zhenwen, chief in charge of a open-hearth furnace, has helped cut time of each heat (a process of steel making) from nine hours and 17 minutes to eight hours and 55 minutes after he had learned theories about steel making through training courses.

In the past five years, the company combined the training program with its technological transformation, holding such courses as optimum designing, continuous casting, controlled rolling, environmental protection and thermal engineering.

Wu Qingtong, engineer from the designing institute of the company, has applied the newly acquired theory on optimum designing to the design of a water supply network, saving 200,000 yuan.

Since the company lacked personnel of thermal engineering, it sent 100 technicians to study in Qinghua University in Beijing and other institutes. With help of those trainees, the company has succeeded in cutting 12.5 percent of energy consumption for production a ton of steel.

Lu said: "The workers' education will meet the needs of technological transformation, streamlining of management and modernization program of the steel producer." By 1990, he expects 54.3 percent of employees with secondary schooling, compared to the current 40.7 percent, and 39.7 percent with higher education instead of 25.9 percent at present.

More specifically, 4,300 will graduate from colleges, 3,800 from secondary technical schools and 9,800 from occupational schools before 1990, he added.

/12858
CSO: 4020/402

BRIEFS

SERVICE TRADES' SHARE OF EMPLOYMENT--Beijing, 26 July (XINHUA)--Among every 100 newly employed people in the past five years, 37 were engaged in service trades, according to the State Statistical Bureau today. Now 73.65 million laborers are working in the service trades, 60 percent more than in 1980. The urban youth and pensioners have employed themselves in the trade by setting up stands on the street, running stores, or engaging in transportation. Last year, 60 percent of the retail sales volume of the country came from individually or collectively run businesses. At least nine million peasants have turned to service trades, including transportation, restaurants, hotels and other businesses. Now in eastern coastal areas, 10 percent of the laborers in the countryside engage in service trades, compared with the six percent in the western part of China. Officials said that the development of service trades has provided more jobs for laborers. [Text] [Beijing XINHUA in English 1118 GMT 26 Jul 86 OW] /12858

CSO: 4020/402

POPULATION

FUJIAN OFFICIALS STRESS FAMILY PLANNING

OW020354 Fuzhou FUJIAN RIBAO in Chinese 22 Apr 86 p 1

[Excerpts] A provincial family planning and commendation conference was held in Fuzhou from 18 to 21 April. Yesterday leading comrades of the province presented silk and commendation banners to advanced collectives and individuals for their contributions to family planning.

Family planning is developing in a planned way in our province. During the Sixth 5-Year Plan, the province's average annual population growth rate was 13.9 per thousand, a decrease of 2.87 per thousand compared with the period of the Fifth 5-Year Plan. The province's natural population growth rate dropped to 12.1 per thousand last year.

Attaching great importance to this conference, the provincial Party Committee called a meeting of its Standing Committee on 18 April to hear a briefing by a leading comrade of the provincial family commission and to discuss the family planning work in the province. At the meeting, Comrade Chen Guangyi set further requirements for family planning. He said: Family planning is a major task for the entire party and a difficult task for Party Committees and governments at various levels. Party Committees and governments at various levels should put family planning on their agendas and assign special personnel to take charge of this work in order to fulfill the various targets set in this regard. We should affirm the achievements made in family planning in our province. However, the family planning task facing our province is still very arduous, and we must make unremitting efforts to carry it out well. To carry out family planning well, it is necessary to do political and ideological work well and to make the importance of family planning known to each household. On the eve of liberation, arable land in the province averaged 1.8 mu per capita, but now it averages only 0.7 mu. It should be clearly explained to the masses that our province, with a small area of arable land but a large population, must control its population. The policies on family planning should be strictly implemented, and a responsibility system should be instituted in this regard. The family planning task is arduous indeed. For the benefit of our posterity, we should unswervingly keep grasping family planning.

Comrades Hu Ping and Jia Qinglin addressed the provincial family planning and commendation conference.

Hu Ping said: The continuity and stability of policy should be maintained. "It is necessary to encourage each couple to have only one child. In rural areas, consideration should be given according to policy to couples with practical difficulties, and arrangements may be made for them to have second births; but unplanned second or third births should be strictly prohibited." This is a policy laid down by the party Central Committee, and we must firmly implement it. Departments should make concerted efforts to do publicity and educational work and to provide services in this regard. We must be determined to work hard to bring about an upsurge in family planning in the next two years in order to keep our province's population under strict control and to make it grow according to plan.

/12913
CSO: 4006/1251

TRANSPORTATION

IMPROVEMENTS IN HIGHWAY TRANSPORT PLANNED TO AID PORTS

HK010554 Beijing CHINA DAILY in English 1 Aug 86 p 2

[By Staff reporter Zhu Ling]

[Text] China is poised for a large spurt of highway building, with the primary aim the clearing of bottlenecks around major ports that are causing cargo delays, according to a senior official of the Ministry of Communications.

Recent official approval by the State Council has cleared the way for the massive effort to begin, with the country's longest modern expressway, linking Beijing and Tianjin with the port of Xiangang, 120 kilometers from the capital, its first project.

This signals the start of the country's ambitious nationwide program to modernize highway transport, the official told CHINA DAILY yesterday.

Meanwhile, she said, construction details of another eight modern highways linking the country's seven major ports are being discussed. "All these projects are priorities for our ministry and we will strive to get them all underway by 1990," the official said.

These new roads will link Shenyang and Dalian; Shanghai and Nanjing; Shanghai and Hangzhou; Hefei and Nanjing; Nanjing and Hangzhou; Fuzhou and Xiamen; Jinan and Qingdao; Zhengzhou and Lianyungang.

The state will provide approximately one-third of the cost, with the rest local money. Local governments can negotiate for foreign investment according to their own needs, she said.

Most of the planned roads are to be first-rate or secondary highways except the Beijing-Xingang Expressway and 21 kilometers of expressway in the Shanghai-Hangzhou route.

Each kilometer of the Beijing-Xingang Expressway will cost 6.62 million yuan, "too much for us at the moment," she said. She said that China's expressways would be 15 meters wide with center partitions; a 120-kilometer-per-hour speed would be possible on the straightaway. The first-rate highways, also 15 meters wide with center partitions, would allow 100-kilometer-per-hour speeds while the secondary highways would be nine meters wide and allow 80-kilometer-per-hour speeds.

China paid too much attention in the past to the construction of railways while neglecting highway transport. The latter can offer door-to-door transport and reduce cargo damage, the official noted.

The Beijing-Xingang Expressway is expected to begin construction early next year and be completed by 1989. It will cover 142.19 kilometers and cost about 940 million yuan. That expressway will be 26 meters wide, with two lanes in each direction and have a capacity of 25,000 cars a day. Consultants from Australia are currently in China drafting the design and bidding documents. These will be finished by the end of this year, she said.

China will seek international bidding on the import of engineering machinery for the project. Domestic construction forces will build the road. The World Bank will offer loans for the construction, she said.

The senior official said that by 1990, China's first-rate highway and expressway system will grow from the present 400 kilometers to about 2,000 kilometers, secondary highways from the current 19,000 kilometers to 30,000.

/12858
CSO: 4020/398

PRC PLANS TO UPGRADE LOCOMOTIVE PRODUCTION BY 1990

HK260648 Beijing CHINA DAILY in English 26 Jul 86 p 2

[By Staff Reporter Wu Zhijian]

[Text] The Railway Ministry is embarking on an ambitious program to upgrade locomotive production with the aim of achieving self-sufficiency by 1990.

The effort is being made at a time when the State has had to spend millions in hard currency on massive imports to sustain the country's locomotive industry, the weakest link in China's railway system.

Between 1981 and 1985, the State drew $500 million from its foreign exchange reserves to import 420 diesel-engine and 150 electric locomotives. China is still importing equipment, but is hoping to reduce gradually its reliance on imports, a Ministry of Railways official told CHINA DAILY yesterday.

The country is planning to turn out 5,000 locomotives by 1990, a 73.7 percent increase over the Sixth Five-Year Plan (1981-1985). The ministry will replace low-capacity engines with new models and, by 1990, 70 percent of the nation's locomotives will be electric or diesel, said Jia Yushen, chief engineer of China Railway Locomotive and Rolling Industry Corporation. Of the total production target, 830 will be electric locomotives, 2,260 will be diesel and 1,910 steam, he said. China currently has 12,000 locomotives, of which 70 percent are steam-powered

Jia said he believed that the target will be achieved despite many "unfavorable conditions." A major problem is the lack of operational funds, he said, although the State is planning to pump 3 billion yuan of investment into the locomotive industry over the next 5 years.

Many State locomotive manufacturing centers are now undergoing massive renovations for the production of new models, but the renovation program is time-consuming and requires a lot of money, he said.

Another headache is the rising cost of their energy and raw materials. Most production centers are able to afford only 70 percent of energy and raw materials needs. The high cost of energy and materials has meant a significant cut in profits despite a rise in production, Jia said.

Technological and equipment transfer contracts with overseas partners are often delayed by "red tape" in State departments. Lack of foreign exchange is hindering further imports of advanced technology and equipment.

A boon to railway management and production units has been the introduction of the "responsibility system" at the Railway Ministry, he said.

Earlier this year, the State approved a plan to split the Railways Ministry into financially self-reliant economic entities. Under the plan, individual bureaus or departments sign five-year contracts with the ministry, making them responsible for their own profits and losses. "Since the workers and staff feel more involved in their work, they are working harder to guarantee a prosperous future for themselves," Jia said.

In key locomotive production centers, workers are on day and night shifts to take advantage of the limited hours when electricity is supplied.

/12858
CSO: 4020/398

TRANSPORTATION

BRIEFS

BEIJING-TIANJIN-TANGGU EXPRESSWAY--Beijing, 30 Jul (XINHUA)--Construction will begin next year on what will be China's longest expressway, a 142-kilometer road linking Beijing with the Tianjin area, a Communications Ministry official said today. The Beijing-Tianjin Road will be finished within 2 years, the official said, followed a year later by a short segment from Tianjin to the new harbor at Tanggu. The 4-lane, divided highway will be 26 meters wide and have a capacity of 25,000 cars a day. Its speed limit will be 120 kilometers per hours. [Text] [Beijing XINHUA in English 0743 GMT 30 Jul 86 OW] /6662

ANHUI, ZHEJIANG RAIL LINK--Beijing, 22 Jul (XINHUA)--Work will start on a new railway line linking Anhui and Zhejiang provinces in east China during the Seventh 5-Year Plan (1986-90), today's RENMIN RIBAO reported. Having received approval from the State Council, the country's highest government body, the 117-km line will run from Xuancheng County in southeastern Anhui to Changxiang County in northern Zhejiang. Changxiang is already linked by rail to the Zhejiang provincial capital of Hangzhou. The paper said that the new line is expected to help speed up construction of the Shanghai Economic Zone, which covers Shanghai Municipality, and Jiangzhe, Zhejiang, Anhui, and Jiangxi provinces. [Text] [Beijing XINHUA in English 0549 GMT 22 Jul 86 OW] /12858

CSO: 4020/398

XINHUA 'ANALYSIS' OF CEAUSESCU VISIT TO USSR

OW161454 Beijing XINHUA in English 1417 GMT 16 May 86

["News Analysis: Ceausescu's Moscow Visit--A Major Diplomatic Move--(by Correspondent Zheng Jian)"--XINHUA headline]

[Text] Bucharest, May 16 (XINHUA)--Romanian President Nicolae Ceausescu left today for a one-day "working visit" to Moscow, mostly probably to explore with Soviet leaders the possibility of enhancing economic relations between the two countries.

This is Ceausescu's second tril to Moscow this year. He attended the 27th Soviet Communist Party Congress in February.

According to the Romanian News Agency, AGERPRES, Ceausescu and Soviet leader Mikhail Gorbachev during the February visit discussed expanding bilateral cooperation in keeping with the comprehensive program of the Comecon countries for scientific and technological development. The two men agreed that Romania and the Soviet Union should look at new ways of increasing economic cooperation and coordinating production.

Observers here believe that Ceausescu's primary objective on the current trip is to sign a program for economic and scientific-technological cooperation up to the year 2000, the first of its kind between the two countries. A draft of this accord was discussed by their premiers in March 1985, and the Romanian and Soviet foreign ministers met in Moscow again at the end of last year to put the final touches on the document.

Both nations say the program "will help to solve major economic problems" in the two countries. Romania has concluded similar accords with Comecon partners Bulgaria and Poland.

It is also predicted that the Romanian leader will take the opportunity on this trip to seek increases in energy and raw material supplies from the Soviet Union. Last year Romania imported 2.1 million tonnes of crude oil from the USSR, almost one-third less than the three million tonnes the two had agreed upon. The 1986-1990 five-year plan envisages an inflow of five million tonnes a year.

Ceausescu during his brief stay may also talk with the Soviets about expanding bilateral trade. The two nations conducted business worth 17 billion rubles (18.7 billion U.S. dollars) in the past five years, and the late Soviet leader Constantin Chernenko promised to raise it to 35 billion rubles in the 1986-1990 period. The present agreement only provides for a turnover of 30 billion rubles, though Romania contends that the two countries have the potential to reach or even exceed the 35-billion-ruble target.

The Moscow meeting will certainly cover international issues. Judging from Romania's repeated calls for nuclear disarmament, it is fair to assume that Ceausescu will urge Gorbachev to go ahead with his second meeting with U.S. President Ronald Reagan this year, which he hopes will lead to an agreement on disarmament and thereby ease East-West tensions.

Ceausescu supports Gorbachev's proposal for the elimination of all nuclear weapons by the end of the century. Referring to the April 26 accident at the Soviet Union's Chernobyl nuclear power station, he said mankind should be free from the threat of nuclear weapons and safety measures must be strengthened in the nuclear power industry.

With so much ground to cover, one can well imagine that Ceausescu's one-day Moscow visit will by no means be an easy job. But regardless of how much he achieves, this major diplomatic gesture will certainly help move him closer to his goal of greater Romanian-Soviet ties.

/8309
CSO: 4020/409

BRIEFS

IRAN OFFICIAL LEAVES FOR MOSCOW--Tehran, August 3 (XINHUA)--Iranian Deputy Foreign Minister for Economic and International Affairs Mohammad Javad Larijani left here this morning for Moscow. At the airport, Larijani told Radio Tehran that his visit is in response to the visit by former Soviet First Deputy Foreign Minister Georgiy Korniyenko to Tehran in last February. He added that relations between Iran and the Soviet Union are developing and expressed the hope that his visit will boost further development. Three months ago, it was reported that Foreign Minister 'Ali Akbar Velayati would visit the Soviet Union. Iran wants Soviet experts to return to Iran to continue industrial projects including a steel mill and a power station in Isfahan. Soviet experts left Iran last year during the war of cities between Iran and Iraq. Last month, the steel mill in Isfahan was damaged in an Iraqi air raid. [Text] [Beijing XINHUA in English 1038 GMT 3 Aug 86] /8309

POLISH MANAGERIAL SYSTEMS IMPROVEMENTS--Warsaw, July 24 (XINHUA)--Poland, stepping up efforts to further improve its managerial systems, is set to examine the state's organizational and economic structures, the Polish News Agency reported today. Speaking at a Polish United Workers' Party Central Committee session today, Politburo member Marian Wozniak said the examination aims to upgrade the country's managerial systems, the organizational structure in particular, encourage enterprises to show initiative and take responsibility and strengthen the role of cost-accounting within enterprises. Wozniak said the effort will streamline some overstaffed organizational structures. The examination, Wozniak said, will involve almost all levels of state institutions, from the central government down to the grassroot enterprises and cooperatives. The Central Committee has set up a joint party and government subcommittee to oversee the work. A resolution adopted at the end of the one-day meeting called upon the Poles to take an active part in the inspection. The resolution, however, did not say when the review will begin. [Text] [Beijing XINHUA in English 1122 GMT 25 Jul 86] /8309

CSO: 4020/409

PRESIDENT, PREMIER DISCUSS FOREIGN EXCHANGE

OW291310 Taipei CHINA POST in English 25 Jul 86 p 12

[Text] President Chiang Ching-kuo has expressed deep concern over the rapid accumulation of foreign exchange reserves and instructed the Cabinet to take measures to liberalize and internationalize the nation's economy and trade.

At the weekly Cabinet meeting held yesterday, Premier Yu Kuo-hua conveyed the President's instructions and urged the Ministries of Finance and Economic Affairs to plan and enforce, within two months, substantive measures to relax foreign exchange controls, encourage investment in Taiwan and abroad, remove import restrictions and lower tariffs.

Both President Chaing and Premier Yu showed concern about the rapid accumulation of foreign exchange reserves, which may increase the money supply and touch off inflation.

Yu therefore suggested the two ministries relax controls on foreign exchange reserves, encourage foreign investment in Taiwan and stimulate ROC ventures abroad. He also noted that except for products that could compromise national security, social stability and public health, restrictions on imports should be removed.

In response to the Premier's instructions, Hsiao Wan-chang, director general of the Board of Foreign Trade, yesterday said that the nation will first remove restrictions on imports of 90 Japanese agricultural products and seafood.

Deputy director of the Industrial Development Bureau (IDB) Wu Hui-jan also noted that the government welcomes foreign investment here as long as the projects run no risks of polluting the environment.

IDB director Hsu Kuo-an also added that the tariffs on textiles, apparel, and toys will be reduced in response to the Premier's directives.

The Ministry of Economic Affairs plans to propose a blueprint for the four measures in a meeting to be held Saturday.

/12913
CSO: 4020/405

BRIEFS

ECONOMIC RELATIONS ENHANCED--Taipei, 18 July (CNA)--The Republic of China [ROC] and the Republic of South Africa [RSA] will enhance their economic cooperation in the future, according to a joint communique issued at the end of the first joint meeting of the ROC-RSA Economic Relations Council and the RSA-ROC Economic Relations Council. The meeting opened at the Lai Lai Sheraton Hotel in downtown Taipei, with 56 delegates from the ROC and 12 from South Africa participating. The ROC will buy more energy, raw materials and agricultural products from South Africa, and South Africa will increase its purchases of industrial products and machineries from the ROC in the future, according to the communique. Delegates to the meeting have also reached the consensus that the two nations will step up efforts to seek greater cooperation in the development of high-tech, manufacturing industries, fisheries and medium and small enterprises. Besides, South Africa also promised to give favorable consideration to an ROC suggestion that it loosen the ban by lowering tariffs on imports of textile products from the ROC. The one-day meeting was held mainly to seek ways to strengthen the cooperative reactions between the two nations as the ROC-RSA trade has shown signs of shrinkage recently. [Text] [Taipei CNA in English 0244 GMT 19 Jul 86 OW] /12913

CURRENCY TO BE STABILIZED--Taipei, 29 July (CNA)--The U.S. dollar, under the influence of the reports on the ROC-USA [Republic of China-USA] currency talks, devalued slightly against the new Taiwan [NT] dollar on the foreign exchange market here Tuesday. Several foreign wire services have reported recently that the U.S. government is seeking to hold consultative talks with the Republic of China to adjust the value of the new Taiwan dollar against the greenback as a means to help improve the trade imbalance between the two nations. The Central Bank of China [CBC], in a bid to help curb the drastic appreciation of the NT dollar, intervened in the domestic foreign exchange market Tuesday to buy U.S.$50 million sold by foreign banking institutions running branches here. These foreign banks were selling the U.S. currency to cut possible losses brought by its devaluation after the talks. To further stabilize the foreign exchange market, CBC has decided to slightly raise the NT dollar's value from the current 38.7 against one U.S. dollar to 38.6 starting Wednesday. CBC Governor Chang Chi-cheng, when asked to confirm the coming ROC-USA currency talks, said that he had not yet received any formal notice on the coming talks. CBC officials have stressed that they favor a gradual appreciation of the ROC currency to avoid possible adverse influence on the manufacturing industries here. [Text] [Taipei CNA in English 0317 GMT 30 Jul 86 OW] /12913

CSO: 4020/405

HONG KONG INCREASES SHARE OF PRC'S IMPORTS

HK170943 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST supplement) in English 17 Jul 86 p 3

[By John Blanton]

[Text] As Taiwanese and Korean manufacturers continue to nibble away at Hong Kong's share of major overseas markets in North America and Europe, the territory has managed to pull more than its own weight in China.

Since 1982 Hong Kong has boosted its share of China's total imports by between 25 and 50 percent in most principal categories of goods, according to statistics from China's General Administration of Customs.

Japan, Hong Kong's chief rival in the China market, has witnessed moderate increases in some categories and losses in others during the same period, while Taiwan and South Korea do not yet pose a threat.

Sources involved in China trade say the dollar value of China's imports from its major suppliers--barring the US--has dropped in the first quarter of this year. But the drop in the outlay of foreign currency has not reduced market sharks across the board. Instead, sources say, the necessity to conserve foreign currency has meant a sharpened focus in buying strategy in China.

The figures show that in 1982, Japan contributed 30.4 percent of China's textile imports, followed by Hong Kong with 15.1 percent. Since then, however, a drastic reversal has taken place. By the end of last year, Hong Kong had upped its stake to 22.2 percent, while Japanese textile manufacturers say their share dwindled to 19.8 percent.

In the area of electrical and electronic machinery, appliances and components, Japan has maintained its huge 55 percent of the market. But Hong Kong, thanks to what China traders say is a definite price advantage, has doubled its market share from 10.4 percent in 1982 to 20.8 percent last year.

Miscellaneous manufactured articles--comprising furniture, fixtures, travel goods, clothing, professional and scientific equipment and photographic equipment--also have been one of Hong Kong's strong points. In such good, Hong Kong has increased its market share steadily from 27.1 percent to 43.8

percent over the four year period, giving the territory a strong lead over its competitors.

Japan saw its share of miscellany blossom from 29.9 percent in 1983 to 43.9 percent the following year after China's brief but disastrous spending spree. But a subsequent downturn left Japan with little over 29 percent at the end of last year.

Hong Kong's exports to China of industrial machinery and tools, long the sole domain of Japan's sophisticated suppliers, have increased enough over the past four years to give the territory an 8.4 percent share. But the figure still lags far behind Japan's 41 percent.

Only in exports of goods under the category of telecommunications and sound recording and reproducing equipment did Hong Kong lose ground as Japan gained.

Sources said many of the goods in this category are considered luxury items and thus are not considered high-priority by Chinese buyers strapped for foreign exchange.

Yet Japan has increased its market share in this category from 60.7 percent to 75.3 percent. Sources said sales have dropped in value terms, but that Japan was able to increase its share when Chinese importers began shunning Hong Kong suppliers after being "burned" too often with cheap goods.

/12913
CSO: 4020/404

CITIC PROPOSES SETTING UP FIRST BANK IN PRC

HK150850 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 15 Jul 86 p 1

[By Eva To]

[Text] China International Trust and Investment Corporation [CITIC]--fresh from securing a majority stake in Ka Wah Bank in Hong Kong--envisages setting up its first bank in China to strengthen the banking muscle of the group.

The plan was disclosed yesterday by CITIC chairman Mr Rong Yiren following a reception held to introduce the new board of Ka Wah Bank to the local banking community.

The proposed new bank, to be incorporated in China and organised under the banking department of CITIC, is expected to specialise in catering CITIC's domestic banking needs in China, whereas Ka Wah--incorporated in Hong Kong--will be orientated more to building itself up into an international bank, Mr Rong said.

Though with this general division of labour between the planned bank and Ka Wah, it does not preclude the former from engaging in international business. "We envisage making the planned bank an international institution specialised in investment banking," emphasised Mr Rong.

He does not see any conflicting roles between the planned bank and Ka Wah, but he emphasised that both the banking department and Ka Wah will contribute in different ways to furthering the role of CITIC in financing the modernisation programme of China.

Set up in 1979 under the direct leadership of the State Council and with the same status as a ministry, CITIC has grown significantly in the last seven years into an enterprise with diverse operations in different lines of business. This includes business in manufacturing, finance, trade and service.

Among these all, Mr Rong said, "financial undertakings constitute a major component part of CITIC's business."

On CITIC's investment activities in Hong Kong, Mr Rong said the enterprise will continue to maintain a diversified presence in the local economy as in other parts of the world. Though the group has tapped the capital markets in Hong Kong, Europe and Tokyo a number of times in recent years, he indicated that CITIC has no similar capitalisation plans for the rest of 1986. However, he noted that CITIC does not preclude the possibility of tapping the market through Ka Wah in the future.

On whether there is any difference in the role between the Bank of China and CITIC, he said that CITIC will concentrate more on investment banking in its general expansion plan.

/12913
CSO: 4020/404

HONG KONG

EVERBRIGHT TO EXPAND INTO FINANCIAL SERVICES, OTHER AREAS

HK150859 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST supplement) in English 15 Jul 86 p 1

[By Olivia Sin]

[Text] China-backed Everbright Holdings Co. has obtained Beijing's approval to expand into financial services, tourism and supplying contract labour.

Chairman Wang Guangying said yesterday that three subsidiaries will be set up in the Chinese capital to handle the new businesses.

The tourism subsidiary will enjoy a similar status to China Travel Service [CTS], the country's specialised travel company, he said. But he was quick to add that the subsidiary would not compete with CTS.

Mr Wang made his comments at a reception hosted by China International Trust and Investment Corp to introduce the new board of Ka Wah Bank, which CITIC rescued from financial difficulties by becoming the major shareholder.

Observers say it is not surprising that the new tourism subsidiary should be accorded such high status.

Everbright itself is higher than a ministry in China and as a vice-chairman of the Chinese People's Political Consultative Conference, Mr Want out-ranks a minister.

The role of the new finance company will be to look after the financial needs of the Everbright group, which has branches in China's major cities, and help it to raise funds for expansion, said Mr Wang. He added that a major stumbling block in setting-up the company had been the country's lack of skilled financial professionals. Everbright will try to enlist the help of the banks in recruiting staff.

Sources say new businesses such as tourism and the export of labour will increase the revenue-earning capacity of Everbright, which has invested heavily in Zhuhai special economic zone. Some sources said its trading performance had been adversely affected by China's clampdown on the use of foreign exchange, which started last summer. The group's investment in Zhuhai has also been capital intensive and returns are slow in coming.

Contract labour has hitherto been supplied only by a corporate arm of the Ministry of Foreign Economic Relations of Trade (MOFERT) and various provincial labour contracting agencies. It has been a steady foreign exchange earner for many years.

Approval for Everbright's expansion followed the posting to the company of a former senior Chinese foreign trade official, Lin Zhongming.

Mr Lin, who until recently served as deputy to the Minister of Mofert, has been appointed vice-chairman and first vice-president of Everbright and is expected to bring considerable foreign trade experience to the company.

/12913
CSO: 4020/404

HONG KONG

BRIEFS

CITIC'S KA WAH BANK CONFIDENT--Ka Wah Bank is expected to return to profitability next year, putting its recent turmoil before the takeover by China International Trust and Investment Corp [CITIC] behind it, according to the bank's new president, Mr Nelson Tsao. Speaking at a reception to introduce Ka Wah's new management team, Mr Tsao said the bank will develop both international and domestic banking business. While continuing to expand its commercial banking activities, Ka Wah will also branch out into merchant banking using Hong Kong as a base. The management will concentrate on developing the bank's business, while a special team, led by Government-appointed Mr Paul Banner, will be responsible for recovering problem loans left by the previous management. Mr Tsao said CITIC, which owns 92 percent of the bank, is prepared to reduce its stake after the bank returns to profit, but will in any case retain a controlling interest of at least 51 percent. Ka Wah's first priority is to put in place a strong internal control system, he said. Almost all the existing staff, except members of the Low family, have been retained and new trained banking staff will be recruited. Subject to the approval of the board, new auditors will be appointed for the current financial year. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST supplement) in English 15 Jul 86 p 4 HK] /12913

COMPUTER SYSTEMS BRING FINE--A trading company has been fined $210,000 for exporting high technology computer products to China under misleading export licence descriptions. Polyfield Computer Limited admitted exporting five IMS and LPDW2 computer systems as well as Omni disk drives, worth a total of $1.29 million, in three shipments between April 1984 and January this year. The systems are classified as strategic commodities when exported to China. South Kowloon Court was told they were misleadingly described as display terminals, colour monitors, printers and ordinary disk drives, for which export licences are more easily obtainable. Mr Albert Tsang, in mitigation for the company, told magistrate Mr Roger Wong this was not a deliberate deception. Polyfield was a very small and inexperienced company and committed the offences during an upsurge in demand for computer products in China, he said. The company had given incomplete rather than false descriptions in its export licence applications, he said. Mr Tsang said Polyfield made no profit from one of the shipments, as the computer systems it delivered were defective, and in fact had to pay a U.S.$6,000 penalty. The company had a clear record and this was only an isolated incident, counsel said. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 31 Jul 86 p 17 HK] /12913

CSO: 4020/404 END

JPRS-CEA-86-100

2 SEPTEMBER 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-100
2 SEPTEMBER 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Review of Country's Economic Development
(LIAOWANG, No 52, 30 Dec 85)................................ 1

Yu Guangyuan Interviewed on Reform Problems
(WIRTSCHAFTSWOCHE, 4 Jul 86)................................ 10

ECONOMIC DEVELOPMENT ZONES

Article on Wenzhou's Rural Commodity Economy
(Wu Xiang; RENMIN RIBAO, 4 Aug 86)........................... 15

ECONOMIC MANAGEMENT

Guangdong Governor on Promoting Economic Prosperity
(Ye Xuanping; KAIFENG, No 1, 8 Jan 86)....................... 24

Economic Reform for Year 1987 Discussed
(Guo Shuqing; SHIJIE JINGJI DAOBAO, 5 May 86)................ 27

Allocations for Seventh 5-Year Plan Outlined
(Wang Fu; JINGJI RIBAO, 29 May 86)........................... 30

Journal Discusses Consumer Guidance
(Li Landi; JINGJI GUANLI, No 6, 5 Jun 86).................... 32

Paper Reports on Electrical Appliances Industry
(Liu Liexun, et al.; JINGJI GUANLI, No 6, 5 Jun 86).......... 35

JINGJI GUANLI on Overexpansion of Investment
(Fei Zhongfu, Lin Daojun; JINGJI GUANLI, No 6, 5 Jun 86)..... 41

National Forum of Civil Enterprises Opens
(Yang Like; XINHUA Domestic Service, 13 Aug 86)............. 48

Department Store Serves as Model of Initiative System
(XINHUA, 11 Aug 86)... 49

FINANCE AND BANKING

Critical Fund Shortage Plagues Hainan Island
(MING PAO, 9 May 86)... 50

Gold Company Official Discusses Moves To Curb Smuggling
(Liu Dizhong; CHINA DAILY, 12 Aug 86)....................... 52

Official Discusses Banking Draft Amendments
(Lun Yongeng; CHINA DAILY, 15 Aug 86)....................... 54

INDUSTRY

First Set of Regulations Governing Leasing Industry
(Zu Ling; CHINA DAILY, 16 Jul 86)........................... 56

Industrial Accident Death Toll Rises
(CHINA DAILY, 15 Jul 86)..................................... 58

Efforts To Improve Packaging of Commodities
(Zhao Lijuan; CHINA DAILY, 17 Jul 86)....................... 60

Briefs
Shanghai Oil Tanker Launch 62

SMALL-SCALE ENTERPRISES

Strengthening Quality Control of Township Enterprises Urged
(ZHONGGUO XIANGZHENQIYE BAO, 12 Mar 86)..................... 63

Rural Industrial Output Increases by 19 Percent
(XINHUA, 29 Jul 86)... 68

Increased Rural Commodity Production Changes Patterns
(XINHUA, 29 Jul 86)... 69

Briefs
Jiangsu Foreign Exchange Earnings 70

CONSTRUCTION

Shanghai Speeds Up Infrastructure Construction
(XINHUA, 19 Jul 86)... 71

DOMESTIC TRADE

Retail Sales Brisk During First Half of 1986
(Beijing XINHUA, 28 Jul, 2 Aug 86)........................... 73

Some Supplies Ample, Others Short 73
Rural Sales Up 74

FOREIGN TRADE AND INVESTMENT

Coordination Group Prepares for Rejoining GATT
(Cheng Hsiang; WEN WEI PO, 3 Aug 86)........................ 75

Increased Industrial Technology Exports Urged
(JISHU SHICHANG BAO, 4 Mar 86)............................... 76

'Massive' Currency Devaluation Analyzed
(Peter Seidlitz; HANDELSBLATT, 9 Jul 86)...................... 78

Difficulties in Foreign Exchange Acquisition
(Christoph Rabe; HANDELSBLATT, 10 Jul 86).................... 80

SPECIAL ECONOMIC ZONES

Yuan Geng Discusses Conditions in Shekou
(Yuan Geng; KAIFANG, 8 Feb 86)............................... 83

POPULATION

Need for Minority Nationalities To Implement Family Planning
(Liu Yongqian; XINJIANG RIBAO, 7 Mar 86)..................... 89

Structural Changes in Urban Family Economy
(Gu Baiqi; OUTLOOK WEEKLY, 14 Apr 86)......................... 93

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

Trade Development Between USSR, West Since 1970's
(Su Sijin; SHIJIE JINGJI, No 4, 10 Apr 86).................... 97

ABSTRACTS

GEOGRAPHY

On the Strategy of Industrial Development in Hainan Island
(Yang Ying, Zhou Jiahui; REDAI DILI, No 1, Mar 86)........... 106

/6539

NATIONAL POLICY AND ISSUES

REVIEW OF COUNTRY'S ECONOMIC DEVELOPMENT

Beijing LIAOWANG [OUTLOOK] in Chinese No 52, 30 Dec 85, pp 11-16

[Seven-man Discussion on Economic Situation]

[Text] Deputy Secretary General Yuan Mu [5913 2606] of the Central Committee Finance and Economics Leading Group:

OUTLOOK is a periodical of current political events which is influential, authoritative and of a mass character. Today the editors of OUTLOOK have arranged for a seven-man review of 1985 and a look ahead into 1986 so as to do next year's work even better, which will no doubt be of interest.

The achievements of our country during the Sixth 5-Year Plan were inspiring, great, and liberating. In a nutshell, the most important thing is that despite the confusion and comprehensive reforms, we have begun to find the right way to build socialism with Chinese characteristics. The solid ice has been broken. The channel has been opened and every aspect of the plan is being progressively perfected.

As for the sphere of economics, our socialist construction has progressively changed direction from the previous traditional development strategy of unilaterally pursuing output value and yield toward a development strategy centered on increasing quality and beneficial results. We have begun down a new road at a rather reliable pace, with rather good results and even more material benefits for the people. As for our management system, we have smashed that former ossified or semiossified model of the planned economy.

We have progressively adjusted to the requirements of a planned socialist commodity economy on the basis of publicly owned production and are now establishing a new type of socialist economic system full of life and vitality. We have cast off the closed and semiclosed conditions of our foreign economic relations. We are progressing into the world within ever broader limits. On the basis of independent action and equal mutual benefits we are beginning to form an open economy which benefits from international exchange. Our social development is progressively transforming the previous kind of one-sided stress on economic development, particularly the stress on direct material development. We have started moving toward the development of increased attention to S&T education, cultivation of human talent and intellect, and toward an increased stress on all-round coordinated balance in economic and social development.

Amidst this historically significant transition the achievements we have made are unprecedented, profoundly meaningful and irreversible. As for this point, we must make a complete appraisal to accord it the proper evaluation. Estimation is not sufficient. It is not right. This is one aspect of the problem, the dominant aspect. Another side to it, in the transformation process between new and old policies, development strategies and management systems, or owing objectively to the immature conditions, or owing subjectively to insufficient ideological preparation, inadequate experience, and some degree of careless consideration is that unavoidably there will be so many problems and difficulties facing us that there will be faults in our work. Although this is a secondary matter, a problem of progress, it still requires high-level attention and must not be dismissed lightheartedly.

The year 1986 will be the first year of the Seventh 5-Year Plan. Looking ahead at 1986, we should and can do it. We can continue to move forward correctly along the open path to building Chinese-style socialism this year, and make a good start on the crucially significant Seventh 5-Year Plan. In this connection:

--We must summarize our experience, uphold the reform and cause the reform and construction to develop in a way that will be mutually compatible and which will help each other forward. This is one type of basic guarantee for the consolidation and development of the current good economic conditions.

--We must work hard to consolidate and digest the results of the reform already obtained: supplementing, completing, improving, and increasing them so as to produce better conditions on this basis for the gradual, comprehensive reform. We must, at the same time, continue to work on the economy, greatly strengthening the necessary management and inspection. Micro- and macroeconomic management are both part of the reform. This is an important lesson we must always keep firmly in mind during the reform of economic system.

--We must uphold seeking truth from facts and the steady advance of our construction plans, work hard to maintain a basic equilibrium between society's aggregate demand and aggregate supply and maintain control of fixed assets, especially the scale of investment capital for basic construction. It is essential to constantly prevent climbing blindly and separating ourselves from actual requirements, and the possibility of excessive velocity. We must ensure the appropriate rate of growth, seeking sustained, concerted development for the whole economy on the premise of a stable economy and increased benefits while producing a good economic environment for reforms. This is a summary of many years of experience and a requirement for consolidating and developing the current excellent conditions.

--While strengthening the construction of our material civilization, we must greatly strengthen the construction of a socialist spiritual culture, upholding the use of the basic theories of Marxism to guide our reform and construction, to guide our economic and social development and to guide our every action. At the same time, in implementing it, we should develop Marxist theory itself.

Vice Chairman Gao Shangquan [7559 1424 0356], of the National Economic System Reform Committee:

Recently a survey was carried out in Zhejiang, Shanghai, Chongqing and other places and some views were exchanged with the factory heads and managers with whom the locally responsible comrades came into contract. The general impression I get from this is that the momentum of the reform is good, that the reform is promoting a healthy development of the whole national economy, that no macroeconomic instabilities have become uncontrollable, that some problems have emerged with the reform and that everywhere comrades are studying the essence of the National CPC Congress and bringing about a progressive unification. The most unanimous opinion is that we must go on upholding the reform, gradually developing the reform's good momentum, never talking the road of retrogression or using old methods to solve problems and moreover, while maintaining micromanagement, continue to explore the new mechanisms of macroeconomic control.

How shall we proceed with the reform next year? This is a question that fully concerns everybody. According to my understanding of the situation and in the opinion of the basic-level comrades, these few things ought to be considered:

--With respect to those correct reform measures which have been clearly implemented and had results, we must digest and consolidate them. The important thing is to carry out correctly the State Council's stipulations relating to the broadening of enterprise autonomy, maintain the authority and benefits already gained by enterprises and unceasingly invigorate the enterprises, especially large and middle-sized ones.

--We must conscientiously review the reform measures which are problematic and ineffective and accumulate less experience so as to weed out abuses, form a comprehensive plan, and perfect the reform. In 1985, in order to strengthen macro-economic control, we utilized tax revenues, credit, prices, wages, and other levers and got results. In 1986, we will progressively strengthen the comprehensive utilization of economic levers, explore ways to handle the macroeconomic indirect control mechanism, and correctly guide the direction of investment and conduct of enterprise.

--We must cautiously explore and develop the reform measures which are beneficial to microeconomic control, to the improvement of economic results of enterprises and the society, and to the balance between total supply and total demand. Pilot-project cities in particular must take new steps. For example, in developing production means markets, raising the foreign exchange earning capability of export enterprises, in giving full rein to control by mid-level city officials, and in the reform of the banking system we must actively experiment in order to promote reform.

Finally, one more point. I feel that in the wake of the progressive development and ever-increasing complexities of the reform, strengthening of leadership, perfecting the organization, and comprehensive coordination will all become more important. This will be an organizational guarantee of the smooth promotion of the reform and will require ample attention.

Vice Chairman Wu Xian, [0702 6272], of the State Council Rural Area Development Research Center

There is a Central Committee rural area working conference going on now. In recent years we have formed the habit of opening the rural area working conference at the end of each year and drafting the next year's Central Committee document while the farmers wait for it. Farmers in quite a few places say that the documents of the first few years have relaxed policies more and more each year. The 1985 document freed up policy, and after the reform of grains and other purchase and sale systems, channels of circulation were increased and economic management methods were invigorated. Now the farmers can truly handle production freely and manage the economy well.

How are we to view this year's rural conditions? Some people say that this year there will be an eventful spring, an eventful summer, and an eventful fall. The problems of progress do really exist, but general conditions are good. Now what everyone is discussing most is the problem of grain. This year grain output will probably drop by about 50 million jin, owing to serious natural disasters, reorganization of the structure of agriculture, and the reduction of area under cultivation. This kind of adjustment is certainly completely necessary. In a very few districts, during the readjustment of industrial organization we did not proceed from practice nor consider carefully and the step was a little too big. Owing to the imperfect rationalization of the price system and other reasons, peasant grain-planting activity was affected. Even so, this year's total grain output still exceeded the bumper harvest of 1982. Apart from grain and cotton, other cash crops increased in yield, and to a rather large extent at that. Total agricultural output value and rural area gross income both increased. While per capita income was not balanced, in general it too increased. At the time of the former unitary management of agriculture, if there had been such a great reduction in grain output the results would have been unimaginable. But now, since our nation's agriculture is still maintaining a thriving development momentum the reduction in grain output will not effect the whole situation. This clearly shows that our agricultural reforms and adjustments of rural area agricultural organization during the past few years have had obvious results.

Township and town enterprises have developed rather rapidly over the last few years. Output value has progressively increased. The surplus labor in many rural areas has had opportunities for employment, truly playing a major role on the vigorous promotion of rural economies. I recently took a trip to southern Jiangsu and saw a district where township and town enterprise was especially flourishing. There appeared to be a trend toward a dropoff of peasant's enthusiasm in farming. This was primarily because of the big income differential between peasants engaged in industry and agriculture. To solve this problem we must rely on taking the measure of supplementing agriculture with industry. With this policy we will safeguard peasant cultivation activity. Every place already has some new approaches to this. For example, the town of Mabei in Taicang County and Yuanhe in Changshu County in Jiangsu Province, and other places, are using township and town enterprise funds and technology to help sustain agriculture, to quicken agricultural mechanization, to improve production conditions, to increase economic benefits and to give agriculture itself some development vitality. These new experiences in using industry to supplement agriculture are quite worthy of being summarized and popularized.

Agriculture is the economic foundation of the entire country. Currently this foundation is still rather fragile and needs continuous strengthening. As for the key points for rural area work in 1986, we must carry out all present policies in a down-to-earth way and gradually complete, perfect, and give full play to the full benefits of the policies. We must correctly study and solve the new problems emerging from the development of a planned commodity economy, promote agricultural reforms and continue construction in the direction of healthy development.

Nationalities Committee Member Zhao Yannian [6392 1693 1628]:

These past 2 years I have been to a few places. Principally, in 1984 I went to the northeast, the southeast and other economically flourishing places by the sea. In 1985, I focused my trips on "old, minority, and border" regions, going to Gansu, Qinghai, Guangxi and returning recently from the southwest. Our country is so big that development levels are very unbalanced, with great differences. Northern Shaanxi, Dingxi, and Xihaign in the north, along with other regions of the loess plateau, have been markedly transformed in these last few years. As for the large impoverished areas of the south, by way of comparison, that transformation has been quite slow.

Guizhou, Yunnan, Guangxi, Sichuan, and other provincial areas, along with southwestern Zhejiang, western Hubei and northern Hunan compose a karst topographic area of about 520,000 square K7 primarily of calcareous sandstone. Because of the large quantities of exposed lime, starting with the famous Ming-era geographer Xu Xiake, people have called it the stone mountain region. On this piece of territory lives a population of about 80 million people, including a minority nationality population of 30 million, more or less. The scenery in these places is very beautiful, with many famous scenic spots for tourists. As everyone knows, the landscape and caves of Guilin, the apple trees and waterfalls of Guizhou, the stone forest of Yunnan, the yellow dragons and mountain strongholds of Sichuan, etc. are all part of the wonderful landscape of the karst topography. But, this large place is exactly the impoverished region where our country's current per capita industrial and agricultural output value is the lowest. The level of per capita income is the lowest, the component of nationalities is greatest, population is rather concentrated and communication is quite difficult. Now, the most real and pressing problem is that there are still some people whose problem of dressing warmly and eating their full has not been solved.

Creating this kind of current situation are historical reasons, topography, soil, climate, and other natural limitations, as well as improprieties in our work. This territory tells us that it is hard bone to be gnawed sooner or later, so we must pay attention to it now and work at improving it. In order to transform quickly the backwardness of this region and to speed up the process of its development, what we must consider first is mapping out a special, preferential development policy. "Old, minority, and border" mountain areas have their own laws of development. Natural conditions, social circumstances, and nationality conditions all have special characteristics. These factors must all be fully considered when mapping out the policy. Formerly, under the influence of the "leftist" ideological line, they used a general district or a general mountain district policy to guide their work in this type of region. What they did was not making full use of the strong points but retaining the weak points of a policy. The result was a delay in the development of these areas, so that for a long time they have been unable to cast off their poverty and backwardness. This is the lesson.

The stone forest region has many disadvantages, but we cannot fail to observe its superiority and potential. Above and below the ground there are abundant natural resources to be exploited. For example, in the mountain basin and in the terraced fields, grains and other economic crops can be developed. The vast wasteland can be planted with grass and trees. Forestry and animal husbandry can be developed. The plant resources of the open country can be utilized to process and produce native products, etc. The rocky mountain region has an even clearer superiority in hydroelectricity, mineral products, construction materials, etc. If we only correctly recognize this type of region's characteristics (including natural, social, and ethnic characteristics), choose the main direction of attack, map out a development policy to encourage and support these activities, mobilize the enthusiasm of the masses, suit measures to local conditions for specific jobs, and give free play to its potential and superiority, then there can be great hope for the vigorous economic development of these districts.

Economics Professor Li Yining [0632 0110 1380] of Beijing University:

At present the most important thing is to grasp the educational situation. Having recently returned from Guilin and Changsha, I feel that in the current propaganda about economic conditions there are two problems which need to be cleared up.

The first is how to measure the standard of living. There are some people whose understanding of the situation is not clear, who look only at the rise in commodity prices and conclude that the standard of living has declined. I use an index: household property value. At a symposium in Guilin I asked a PLA man: since the smashing of the "gang of four," what changes in household property have taken place? The soldier who, is from a rural area, said that many families had built new houses, acquired television sets, electric fans, bicycles, etc. Someone said that households raising pigs, chickens, and ducks were numerous. A soldier from the city said that many households had bought television sets and also refrigerators. Whereupon I asked these men about how these families eat and what they wear. They said: all better than before. I asked them again: How did this new increase in the families' property come about? They all laughed and said that it was the increase in income. Indeed, the level of these families' clothing and diet had not fallen. So, the increase in household property value did not result from tightening the belt, but rather from the surplus after an increase in income. There is no harm in making an investigation to see how much families of workers, peasants, intellectuals, and cadres have added to their possessions.

The second is increasing propaganda about the policy of the external opening up. In Guilin and Changsha I gave lectures to the students in some high schools and spoke about how to treat the problem of international economic relations. I explained this principle: We must confront this reality about international trade. The exportation of primary products now is so that in the future we will not principally export primary products. We import foreign advanced technological equipment today so that in the future we will not import the same kinds of products. If we do not do it this way, we will never be able to narrow the gap between ourselves and the world's technological level, rather it could get even bigger. Because of this, we must correctly understand the necessity of opening up to the external economy. We cannot take normal international trade and say that it is a foreign economic invasion of our country, because current conditions are completely different from those of 30 years ago. Speaking again of the experience of every country in the world, some countries in the midst of rapid development started by exporting primary products and importing technology. Later, when they had become developed, they no longer solely exported primary products. Without exports, and thus without technological imports, the economy will be totally backward. Imports and exports must be continuously increased no matter what, but the imported technology is for digestion, assimilation, and bringing forth new ideas. Future import possibilities are other new technologies and new products, because the rate of advance of the world's technology is ceaselessly accelerating.

Naturally, in transferring power to a lower level these past 2 years some places have become disorderly, the massive importation of small cars, for example. The shortcomings in our work must also be recognized. From now on, we must strengthen the management of the importation of such consumer goods as small cars, tape recorders, television sets, etc. We cannot use large amounts of foreign exchange to import consumer goods. The unrestricted importation of consumer durables will not benefit the development of our own consumer durable goods industry.

Director Dong Fureng [5516 6534 4356] of the Chinese Academy of Social Sciences Economics Institute

Over these past few years the results of the reform and construction have been great. I feel that we should still strengthen our propaganda and explain the principles of reform and construction themselves. Because people have lived under the former system for so long, they will naturally have one or another sort of opinion during the reform process. This compels us to elaborate clearly upon the reasons for and principles of the reform.

As for the commodity price reform, what we have been implementing for a long time has been a policy of stabilizing commodity prices. Over the years few prices have moved. At the dawn of the adjustment, all price relations had to be transformed so that commodity prices could change, and could moreover go up. This is a necessary manifestation of the reform and the adjustment, but nowadays people have not adapted to this kind of situation, so it is easy for them to misunderstand. Naturally, the commodity price rise has an irrational cause, but if we understand it we can correct it completely. This principle must be explained so that it is clearly understood, so that the masses can get it. We aim our attack at the contradictory mentality of those many people among the cadres and masses who hope for reform but do not want the reform to disturb the order of their former life. We must repeat the propaganda over and over and make people truly understand that since we must give free play to the function of market forces, from now on commodity prices will be able to move, and that this change is good for the reform. We must force people to slowly get used to life in a commodity economy, to adapt gradually to the new conditions of the reform process, and especially to adapt to the new transformations which the reform will bring from now on.

As for economic construction, one very important problem is that the strategic transformation of the country's ideology of economic development has not deeply penetrated popular feeling, nor deeply penetrated the minds of the cadres. Premier Zhao Ziyang, in a speech given at the Fourth Session of the Fifth National People's Congress raised 10 construction policy points, of which a very important one was that the reform had gone beyond the strategy of a blind search for high speed without considering good results. But, in these past few years there have appeared some situations running counter to this policy, for example: some districts have not taken good economic results as their premise but have single-mindedly pursued multiplication and comparison of speed and output value. Every locale hopes to lead the whole country. This kind of aspiration is good. But if they pursue only speed without noticing results, then that is wrong. In addition, using only gross output value of industry and agriculture as the index to measure economic development is quite inadequate. There is also communication and transportation, post and telecommunications, tertiary industries, and other aspects of development, none of which can be ignored. I have explained the situation clearly, yet among the ranks of our cadres there are still some comrades who have yet to establish truly a strategic transformation of their ideology of economic development. This is a big problem that we must solve and solve well, and thereby avoid any more errors and faults in our work from now on.

Standing Secretary Li Chongwei [2621 1504 1218] of the State Council Economics, Science and Technology and Social Development Research Center:

I would like to discuss two problems. One is that you cannot equate profit with economic benefit. Now there are many entrepreneurs, such as factory heads and managers, frequently equating profit and economic benefit, thinking that high economic benefits means big profits. This kind of erroneous thinking produces a situation of pursuing output value above and pursuing profits below. Our country's export trade has not gone up recently principally because the supply of goods is insufficient, because export products are not as profitable as goods for the domestic market, so enterprises are not too interested in producing export goods.

Actually, under the turnabout in price conditions, profit is certainly not equivalent to economic benefit. To use the level of profits as the only index of enterprise economic performance and moreover to couple it with staff material benefits, will of necessity encourage the tendency for enterprises to pursue profit single-mindedly. When enterprise profits are high, staff income will naturally increase. For example, if a coal mine's output value is low, and its profits are so low that it is running at a loss, then there will be little retainment of profits. This kind of situation most certainly does not accord with the principle of distribution according to work. To solve this problem, aside from mapping out the appropriate policies, we must first correct this erroneous conception with knowledge.

The second problem is the proportional relation among commodity prices, labor productivity, and wages. People are very worried about the commodity price rise, because this relates to everyone's vital interests. Our country's wage system is relatively stable. If commodity prices fluctuated often, people would naturally be fidgety. Abroad, the way is for wages to rise with commodity prices. When the water rises the ship is high. At the present stage, our country still cannot take this step, but to make regular adjustment of wages and to calculate the factors in commodity price rises, these are well worth careful consideration.

Of course, wages cannot be increased arbitrarily. We must be prudent. In Japan and Germany, wages are set every year by a consultative conference. The wage increase is determined by two factors: the first is commodity prices, the second is labor productivity. If commodity prices rise, workers are given a certain allowance. Actual wages depend on labor productivity. The steep rise in wages along with increased labor productivity in recent years resulted in a weakening of international competitiveness. This is one of the reasons for this year's steep economic decline. Recently, there was increase labor productivity. Premier Lee Kuan Yew loudly appealed to the public and requested labor and capital of enterprises to raise labor productivity so as to compensate for past mistakes (in raising wages too quickly). These foreign lessons are well worth applying.

Long ago, if we did not pay enough attention to raising labor productivity, it was still excusable under those former labor-intensive conditions. Now there are some places, especially southern Jiangsu, that are feeling labor shortages. This spring I went to Wuxi and Jiangyin. The local small towns were all recruiting workers from northern Jiangsu. As a matter of fact, they had also found a way to increase labor productivity. When we draw up an economic policy, we should seek to encourage increased labor productivity. In the final analysis, only by raising labor productivity can everyone's material wealth and per capita income be increased. This principle is very obvious. These past 2 years, the extent of wage increases has been rather great, but the local productivity level has not risen correspondingly. This type of situation requires attention.

13263/8918
CSO: 4006/667

YU GUANGYUAN INTERVIEWED ON REFORM PROBLEMS

Duesseldorf WIRTSCHAFTSWOCHE in German 4 Jul 86 pp 30-34

[Interview with Yu Guangyuan, vice president of the PRC Academy for Social Sciences and economic advisor to the government of the PRC by WIRTSCHAFTSWOCHE editors Baentsch and Ziesemer; date and place of interview not given]

[Text] Private businesses are no longer criticized as "the tail of capitalism" in socialist China, party secretaries no longer alone hold sway. Professor Yu Guangyuan, vice president of the Chinese Academy of Social Sciences and economic advisor to the government, calls for economic competition between various forms of property ownership.

WIRTSCHAFTSWOCHE [WW]: Professor Yu, the leadership of the People's Republic of China emphasizes that the current economic reform will alter nothing in the socialist character of your country.

Yu: The economic reform is intended not to weaken socialism, but actually to strengthen it. Unfortunately, our reform measures are often erroneously interpreted in other countries.

WW: But hasn't the concept of socialism become simply an empty phrase?

Yu: No, one simple mathematical formula can be applied to our view of socialism: socialism is the sum of public ownership of the means of production plus developed production of goods plus distribution in accordance with performance. We will not deviate from these fundamental principles. In the future as well, we will not orient ourselves primarily to profit, but rather to meeting the needs of the population. However, it is precisely for this reason that we need greater democracy in our economic life.

WW: Do you believe it may be possible in the future for the newly established private businesses also to be permitted to hire employees?

Yu: This already exists in principle today. Of course, it constitutes only a very small percentage of employment in China. A fundamental change cannot be expected to take place overnight.

WW: But would it not be desirable for the private sector to be even further expanded--especially in the interests of better meeting the needs of the population?

Yu: We have not yet had enough experience with private businesses. For the time being, the government is waiting to see how these businesses develop. Up until now, this has been more of a theoretical question, because private enterprises still play only a very minor role in the overall economy. In 1985, for example, there were only 4 million people in rural areas who were employed in private businesses.

WW: In terms of numbers you are correct--but when one takes a look at Shanghai, one has the impression that life there has changed very much because of the many small private restaurants.

Yu: Certainly, they play a positive role. But this is not yet a true private sector in the capitalist sense, most of these, after all, are family-run operations.

WW: Premier Zhao Ziyang has characterized the change in the price system as the key element in current economic reform. Most prices are still administratively determined, however.

Yu: Of course we would like to make more rapid progress in this matter. However, it involves basically not just one, but two problems: on the one hand, many prices in China are unreasonable, but on the other hand we cannot simply raise the price of certain goods overnight, because this would cause annoyance throughout the entire population.

WW: We doubt whether it is possible at all for a central authority to establish reasonable prices from above.

Yu: For this reason, we do not wish to centrally determine individual prices, but rather simply to set the general price policy. I have spoken with the responsible officials of the central office for prices in Hungary. Six or seven hundred people work in this office. And I feel quite badly for the director of this office because he is exposed to so much criticism. This task becomes truly overwhelming in a country as large as China. For this reason, the central authorities should only determine the prices of certain important commodities--and leave everything else to market forces.

WW: Putting aside for the moment the problem of prices, what are the major problems today of the economic reform, in your opinion?

Yu: The major problem is to further clarify the importance of the economic reform itself throughout the entire country. Nothing else is as important. Premier Zhao Ziyang was once asked by a reporter whether it was true that there were so many difficulties in implementing the economic reform. Zhao's answer was correct: if there were no obstacles, there would be no reform. In the final analysis, the critical question is whether or not we are able to increase the productivity of the enterprises.

WW: In rural areas, this has been achieved by making the individual farmer once again responsible for his own production, even though the land continues to remain public property in a formal sense. Can this model be transferred to urban businesses?

Yu: This is a very difficult problem. Many new forms of public and collective property--not only state-owned businesses, but also new types of cooperatives and new collaboration between state units--have emerged in China. Some enterprises have even distributed stock to their employees. In recent times, this has all developed freely--now, in the coming years, we must watch to see which groups can really demonstrate better economic success. You can certainly compare this with Darwin's insight on nature: the stronger will survive. Of course, in addition to this natural selection, there will also be a political one. But we will certainly not return to our actions of the 1950's, when we wanted to eradicate all non-socialist forms of property because we wished to bring about a purely socialist order, as it were. At that time, small private businesses were regarded as the tail of capitalism. That was a serious mistake.

WW: Where do you see models for economic reform in China?

Yu: I would not speak of models. We cannot simply transfer the experiences of other socialist states to our own situation. We made many mistakes in this regard after the founding of the PRC. In 1978 I was a member of a party delegation to Yugoslavia, and one year later I spent a considerable period of time in Hungary. I learned many things there that are very useful for China. And when one reads through the documents of the 27th Party Congress in the Soviet Union, it is clear that the Soviet economy is also undergoing change.

WW: As you see it, what can China learn from the West--putting aside for the moment the question of technology?

Yu: We can learn something from the planning mechanisms in the West, for example. We used to have an oversimplified view: in socialism there is state planning and in capitalism there is anarchy and chaos. In reality, however, this involves two differing notions of planning. After all, science and technology are carried out in the West very much in a planned manner, initially on the level of individual businesses, but then also through state controls. I believe that we can learn from this dualism--planning both on the level of individual businesses and on the state level.

WW: If you introduce more elements of the market economy, will you have to move to greater political pluralism in your country, in the long run?

Yu: Already today one hears the motto in China: "Let one hundred flowers blossom!" not only in the economy and in technology, but also in culture and society. We must have greater democracy in a political sense if we are to transfer more responsibility to the individual in the economic sense. I believe that the economic reform will quite automatically lead to significant political changes. However, the fundamental socialist character of our country must, of course, not be affected by this. For this reason, we will not do away with the leading role of the party.

WW: But isn't the leading role of the party already being given up in the enterprises? It used to be true that the party secretary made all important decisions, but now a director bears sole responsibility.

Yu: Today, the director bears the administrative and economic responsibility for the enterprise, but this does not eliminate the need for political leadership.

WW: How is this different from the way things used to be?

Yu: The party secretary is no longer allowed to become involved in concrete economic decisions. It used to be that the party secretary tried to do the work of the director--which resulted in his own work not getting done. However, I admit that it is not always easy to bring about a change in this behavior in actual practice. Nor do I believe it is appropriate for the party secretary to play the role of overseer of the director.

WW: But more supervision is probably necessary in the enterprises in view of the many reports regarding financial irregularities.

Yu: Yes, that is certainly true, but, after all, our workers are called upon to uncover infringements of the law. And for this we also have the competent authorities, such as the revenue office.

WW: Then why is a party secretary necessary at all any more?

Yu: The party secretary should see to it that party members are exemplary blue and white collar workers. He is also to mediate in controversies. But unfortunately there are a few party secretaries who really don't know what they should do all day long.

WW: Can the director of an enterprise fire an employee without obtaining the consent of the party secretary?

Yu: Yes, of course the director is allowed to do this. The party secretary has no right to interfere in such matters. The problem is simply this: we decided on this change as early as 1984, but many party secretaries are still not clear about it. And then these cadre usually have one of two reactions: either they do nothing at all any more--or they do too much and constantly interfere in the affairs of the director.

WW: It used to be said in China that the party secretaries are little Caesars in the villages and in the enterprises.

Yu: Fortunately, these times are over, even if this actually was the case at one time. Even the secretary general of the party is no longer a Caesar today. Hu Yaobang or Premier Zhao take part in the discussion of the leadership, but decisions are made by the collective.

Yu Guangyuan produces no fewer than a half dozen business cards when he is asked about his address and function in the PRC. Whether as director of the Institute for Marxism-Leninism and Ideas of Mao Tsetung, as member of the board of the Academy of Social Sciences or as advisor to the Chinese government--the 71-year-old from Shanghai has always been interested in being involved in those areas in which politics, economics and science interface. "I'm like a bus," the former vice minister for science and technology describes his role: "I travel from station to station and pick up the people waiting there."

Since 1956 this student of the natural sciences and former librarian of Mao Tsetung has been invovled primarily with economic matters, although he has not been entirely able to restrain his interdisciplinary interest in other sciences as well. At the 12th Party Congress of the Chinese communists, Yu Guangyuan helped to formulate the resolution which in 1982 gave the starting shot for a comprehensive economic reform of urban industry following upon the agricultural reform.

12792
CSO: 4620/57

ECONOMIC DEVELOPMENT ZONES

ARTICLE ON WENZHOU'S RURAL COMMODITY ECONOMY

HK131400 Beijing RENMIN RIBAO in Chinese 4 Aug 86 p 5

[Article by Wu Xiang [0702 6272]: "On the Developing Rural Commodity Economy in Wenzhou"]

[Text] Wenzhou and the nine counties and two prefectures within its jurisdiction have a total population of 6.2 million. Over the past few years, the commodity economy there has been developing rapidly. This has attracted many visitors and research teams to conduct investigations there. Some of these visitors say "very good" and others say "very bad." Some people praise it as the "Wenchou model," while others call it "capitalism." Why does Wenzhou have such a strong appeal? Why do the responses to it vary so greatly? What are the characteristics of Wenzhou's rural commodity economy? What enlightenment can it give on the development of our country's rural economy? I present below several preliminary views for discussion.

The Characteristics and Pattern of Wenzhou's Economy

As far as the development of our country's rural commodity economy is concerned, the rural commodity economy in the coastal areas is more advanced than that in the hinterland, and the rural commodity economy in southern Jiangsu and Zhu Jiang Delta is the most advanced. Compared with southern Jiangsu and the Zhu Jiang Delta, the Wenzhou area, which is situated in southern Zhejiang, shows a poor basis in collective economy and a backward traffic and communications system, and it lacks the favorable conditions which its neighboring big cities have. However, the speed and scale of the development of Wenzhou's rural commodity economy have not lagged behind those of other areas and have shown exceptional vigor. This is why the development of Wenzhou's rural commodity economy has attracted the attention of so many people.

Southern Jiangsu and the Zhu Jiang Delta are areas rich in fish and rice, while Wenzhou is a poor area which lacks grain, though it has a temperate climate, mountains and sea, and has some fish and rice. The per capita arable land (including terraced fields and nonirrigated farmland) in the Wenzhou area is only 0.46 mu, 50 percent less than that of southern Jiangsu and the Zhu Jiang Delta, where there are more people but less land. In order to support their families and make a living, the local peasants have to do something else other than farming the land. History shows that Whezhou residents have a tradition of going out to do business. Many of them are handicraftsmen. Before liberation, Wenzhou's industrial basis was very poor. Since liberation, because Wenzhou is situated at the frontline, investment in capital construction there has been limited, so that only a few small-scale, small and medium-sized enterprises have so far been built. The whole city's per capita fixed assets are only equivalent to 28 percent of the average per capita fixed assets of the whole of Zhejiang Province. Since there were few enterprises run by people's communes or production brigades in the area, the unemployment of educated youths has been a long-standing problem. During the sixth 5-Year Plan period, on the basis of implementation of the system of contracted responsibilities with payment linked to out, great changes took place in the urban and rural economies. Compared with the situation in 1980, the city's total industrial output value, total agricultural output value, revenue, and per capita income of the peasants increased by 130 percent, 156 percent, 122 percent, and 1.5 percent respectively during the Sixth 5-Year Plan period, while 60 percent of the labor power in the agricultural sector moved into the secondary industry and the tertiary industry. Although the development is unbalanced and there are still some areas which have not gotten rid of poverty, on the whole, the problem of feeding and clothing people has been solved. The per capita income of peasants in the 10 major bases specialized in producing and selling commodities and the surrounding flatlands has reached over 1,000 yuan and the people there have begun to move towards a well-off life.

Another characteristic of Wenzhou's rural commodity economy which differs from the situation in southern Jiangsu and the Zhu Jiang Delta, is that the household industry has been playing an important role in the development of Wenzhou's rural commodity economy. In 1985, there were 133,000 families and over 0.4 million people involved in household industry, for which output value reached 1.136 billion yuan, making household industry occupy a decisive position in the economy. The scale of production of household industry is small, the technology used by household industry is backward, most of the raw materials used by household industry are waste products and leftover bits and pieces of industrial material, and most of the products of household industry are not "wonderful" products but small products with low output value. However, you cannot look down upon them because of this. It is because of these characteristics that household industry has been able to: 1) offset the defects of the big city industry, satisfy the various needs of people's livelihood, and enable itself to stand firm amidst competition; 2) household industry can be easily learned, carried out, and popularized among the peasants, allowing it to continuously expand; 3) household industry needs little investment and the cost of household industry is low, so that it has a strong competitive capability and has been able to gain small profits but quick turnover in selling its products and thus secure a good market; 4) household industry has turned from a "smayl but complete" industry into a "small but specialized" industry and has specialized and serialized its products, and formed its own "first products" and "elite products" within a short time.

Another characteristic of the development of Wenzhou's commodity economy is that Wenzhou's specialized markets are very prosperous and vigorous. In the ur-an and rural areas of the whole city, there are nearly 400 markets, among which 113 markets are specialized markets. The most outstanding are the 10 big, well-known, nationwide specialized markets. The market liason axis is the buying and selling specialized households involving 100,000 peasants who travel all over the country to big and medium-sized cities and remote and backward places to buy raw materials, sell products, sign contracts, and pass on information. These specialized households are not affiliated to state, collective, and individual commercial organizations. Their respective starting points and terminating points are the market. The household industry that developed in Wenzhou over the past few years is characterized by distant purchases and distant sales and belongs to small commodity production which is neither closely linked with agriculture nor closely linked with the local economy. Without a big contingent of people involved in purchasing and marketing to serve it, such household industry would have been unable to exist and develop. On the other hand, once such a powerful contingent of people involved in purchasing and marketing is formed, the dispersed small-scale household industry will be able to break through its own limitations and form a socialized distribution of work and cooperation through market regulation and organization so as to greatly increase the labor productivity and economic results and develop the advantages of the collective structure of specialized production. The 10 big specialized markets in Wenzhou each have one of two first products, and each product is divided into several working procedures which are carried out by independently managed households, so that these products have a great variety and a complete set of standards, form a complete set, and have a strong drawing and spreading power. The number of buttons sold at Qiaotou accounts for 50 percent of the buttons needed by the clothing industry of the whole country. From this we can see the secret behind why some of Wenzhou's products have sold so well.

The third characteristic of the development of Wenzhou's rural commodity economy is the development of small cities and towns which have become increasingly prosperous, along with the development of household industry and specialized markets. Over the past 3 years, the number of towns in the organization system has increased from 24 to 87, the peasants have become the main component of the city and town population. Apart from the peasants who have moved into and settled down in the cities and towns on the condition that they take care of their own grain ration, there is another type of peasant who goes to work in the cities and towns in the morning and comes back to the rural areas to rest in the evening and whose economic interests are directly and stably linked with the economic interests of the cities and towns. They have become an important part of the city and town population. out of their own interests and developmental needs, the peasants who go to work in the cities and towns have been actively raising funds to transform and old towns and build new towns. To date, the funds raised by these peasants total 0.45 billion yuan. With their own economic strength and management ability, the peasants who have moved into or worked in the towns have developed many small cities and towns into specialized markets with their own characteristics; enabled the simultaneous development of commerce, transport, processing industry, post and telecommunications, building industry, service trades, and cultural, educational, and public health undertakings; and established various forms of economic structures, multichannel circulation networks, and multifunctional service systems. This type of service system has been gradually developed according to the market needs and has in turn greatly promoted the prosperity of the market.

To sum up, the basic characteristics of Wenzhou's economy is that under socialist conditions, with their own efforts the peasants have formed a multilevel, multichannel, and multiform new commodity economy pattern. The basis of this new commodity economy pattern is the household industry operated by peasants. The key link in this new commodity economy pattern is the specialized market whose backbone is the peasants engaged in the buying and selling of products. This new commodity economy pattern mainly depends on the small cities and towns built and developed with the funds raised by the peasants. The above three aspects depend on one another, promote one another, and combine with each other. They cooperate with one another and form a complete set, spontaneously form a network, do not act according to a unified plan, and do not act under any mandatory orders. The three aspects may seem a little disorganized, but, in fact, the law of value and the law of supply and demand have an impact on them. The new commodity economy pattern embodies the operational order of the commodity economy according to the law. It manifests the struggle, development, misery, and happiness of the peasants in the process of transforming a natural economy into a commodity economy. The people who have visited Wenzhou all feel that there is great potential among the peasants to develop the commodity economy.

The Continuation and Development of Historical Traditions

The formation of the peculiar pattern of Wenzhou's rural commodity economy is not accidental but has been "forced" and is "unbound."

A huge population on limited arable land is a common problem in our country's rural areas. In Wenzhou, this problem emerged as early as one or two hundred years ago, which forced peasants to go out of the rural areas to make a living and developed their ability for survival, so that most of the Wenzhou people have the ability to "do business" and are "craftsmen." The Wenzhou people have the traditional character of daring to break new paths, bearing hardships and withstanding hard work, and being firm and indomitable. However, under the influence of the "leftist" ideology for many years, the policy of "grasping grain as the key links" confined a large number of peasants to a small and arable land and condemned "businessmen" and "craftsmen" as people "not engaged in honest work" or even as people "taking the capitalist road." Frequent criticisms and struggles finally blocked the road so that the Wenzhou people who are good at "doing business" and "using crafts" had to work on less than half a mu of arable land each and suffered poverty without enough to feed themselves. The implementation of the system of contracted responsibilities with payment linked to output has brought decision making power to the peasants, "unbound" their hands and feet, and enabled them to bring their respective skills into play on a larger scope.

Although the peasnats' enthusiasm for carrying out production and the productivity of agricultural labor have increased, the problem of a big amount of surplus labor has become more conspicuous. Although Wenzhou is different from southern Jiangsu and the Zhujiang Delta, does not have funds accumulated through a relatively strong collective economy, does not have the industrial radiating power of big cities, and cannot get a lot of foreign investment, the Wenzhou people have broken a new path in becoming rich which is suited to the characteristics of Wenzhou. The new path is to locally digest surplus labor power, develop the commodity economy, accumulate funds, train qualified personnel, and create the necessary conditions for the take-off of the rural economy by greatly developing the household industry.

It is clear that the rapid development of Wenzhou's household industry is inseparable from Wenzhou's historical traditions and is indeed the continuation and development of Wenzhou's historical traditions formed over the past several hundred years under the new socialist conditions. In Wenzhou, there are many skilled craftsmen and various sources of production, so the people of Wenzhou can develop a variety of small commodity products, rapidly expand and spread the household industry, and establish a relatively solid foundation for the household industry under the condition of having a huge population on a limited amount of arable land and lacking farm and sideline products and raw materials. Because many Wenzhou people frequently go out to do business, information can spread quickly. As a result, some small commodity products which sell well have emerged from a variety of small commodity products and have been popularized and developed into fist products, thus forming specialized markets which in turn promote the further development of the household industry. Every year more than 0.27 million Wenzhou people engaged in such trades as cotton fluffing, shoe repairing, tailoring, the building industry, the mining industry, and so on in various parts of the country. These Wenzhou people send money home, provide funds for the development of production, and bring back a lot of economic information to their hometown. The thousands of peasants engaged in buying and selling products are very good at doing business. These peasants are familiar with their own region and have their own ways of doing business, and their own "commercial networks" and "information networks." They have gradually formed a lateral, loose, and open network which has been operating actively and efficiently among the people. Social reproduction is a continuously moving and consecutive process. Production and circulation depend upon each other and regard each other as a precondition. The transition from a nature economy to a commodity economy in the rural areas of our country is only in the initial stage, so the closed circulation system formed over the past years and characterized by state management and multiple links still remains a huge obstacle to the development of the commodity economy. The vigorous specialized markets in Wenzhou have made major breakthroughs in this respect and manifested circulation's role in developing and promoting production. For instance, since becoming a button-collecting and distributing center, Qiaotou, a place which had never produced a single button before, has been a growing part of the household industry engaged in button production. In 1985, the total output value of button production in Qiaotou reached 20 million yuan.

Many comrades think that Wenzhou's experiences are suited to the great masses of less developed and backward regions where commodity production began to develop much later. These comrades call Wenzhou's experiences the "Wenzhou model." I basically agree with this view. In order to make it easier to compare Wenzhou's experiences with the experiences of southern Jiangsu and other regions, we can call Wenzhou's experiences the "Wenzhou model." I would like to add a reminder and a supplementary point: The emergence of any "model" has its own conditions and we cannot indiscriminately copy a "model" by putting it on a pedastal, the "model" will be soon widely popularized. The development of the commodity economy not only requires natural resources but also social resources, especially qualified personnel. Qualified and competent people are the key to organizing various essential factors of production. It is by relying on tens of thousands of qualified and competent people that Wenzhou has made its small commodity production spread among thousands of households and suit the changing needs of the market, has realized the specialization, socialization, and commercialization of products, and has opened up a highly efficient circulation channel. In Wenzhou, circulation has not only brought along production but also promoted the formation of specialized markets and the development and construction of small cities and towns. Along with the development and construction of small cities and towns and the perfection of small cities and towns' functions, the radiating power and area of specialized markets has grown continuously, which has enabled products to find a good market and further promoted the development of the household industry. Such a benign cycle has snowballed, thus turning small commodities into a successful big market. From this we can see that it is not so easy to learn from Wenzhou's experiences. This is because, although there are competent people everywhere, as they are often limited in number and spread over a large area, it is not possible for them to form a strong force everywhere. Second, there is a strong mood of despising people who do business in society, so that even if there are competent people in the society, it is still difficult for them to become popular, be supported by public opinion in society, and play their role. The comrades who are enthusiastic about the "Wenzhou model" should first make efforts to discover, support, and train qualified and competent personnel, change the general mood of society, and do more practical work.

A New Creation of Great Significance

Without markets, the commodity economy cannot develop. Along with the rapid development of Wenzhou's specialized markets, there is the information market, the market of the means of production, the funds market, the technology market, and the market for labor services. All these are unimaginable and unacceptable to those who have long lived in a self-sufficient economic order. Because the various rules and regulations which conform with the development of the commodity economy are still under discussion or in the making and are far from perfect and complete, some people are engaged in incorrect business practices and some maladies have unavoidably emerged in the initial period of development of the commodity economy. These maladies include ignoring quality, selling substandard products as good products, selling imitations, tax evasion, resorting to bribery in doing business, usury, and so on. It is reasonable for some comrades to express their anxiety and worries about the prospects for the development of Wenzhou's economy.

Among the questions raised, there is one which particularly attracts the attention of all sides. This question is whether the growing proportion of individual economy will affect the leading position of the state economy or not.

Over the past few years, great changes have taken place in Wenzhou's economic structure. In 1980, in the total industrial output value of Wenzhou City, the output value of Wenzhou's state-run industry accounted for 35.94 percent, while that of collectively-run industry accounted for 51 percent and that of household industry accounted for 12.4 percent. In 1985, the proportion of the output of state-run industry dropped to 18.43 percent, while that of collectively-run industry accounted for 54 percent and that of household industry rose to 30 percent. In the same period, in the total volume of retail sales of social commodities, the proportion of state commerce dropped from 36.8 percent to 27.15 percent and the proportion of supply and marketing cooperatives and cooperative shops dropped from 59.1 percent to 45.91 percent, while the proportion of individual-run commerce rose from 2.14 percent to 26.52 percent. In both industry and commerce, the proportion of individually-run economy approached or even exceeded that of the state-run economy. Under such circumstances, will the state economy still be able to play its leading role? Will the socialist country still be able to control the direction of its economic development?

I think we can approach the question in this way: The development of Wenzhou's economy is not isolated. We should consider it in light of the overall situation of our country. In a socialist country, there is no doubt that state economy is concerned, a bigger proportion of individual economy in some areas cannot affect the dominant position of the state economy. As far as the situation in Wenzhou is concerned, almost all the first products produced by the household industry are small products which cannot affect the dominant position of the state economy but can meet certain needs in people's daily life. The raw materials of the household industry are waste products and leftover bits and pieces abandoned by city industry. Most of the products of the household industry are sold to vast rural areas and remote mountainous areas, supplementing the city industry. Although the proportion of state industry has dropped, its absolute volume has shown a big increase. What is more important, the main trades and products, such as electric power and some other basic industries, main lines of communications, banks, post and telecommunications, and so on, which directly concern the national economy and the people's livelihood, are controlled by the state-run enterprises which still dominate and control the entire local economic life. Along with the gradual deepening of the reform and the gradual perfection of the new structure, the state will be able to use macroeconomic control methods such as revenue, credit, industrial and commercial administration, and so on to [word indistinct] develop correct guidance. Facts have proved that the development of the individual economy and the vitality shown by the individual economy are a challenge to the state economy and collective economy and are beneficial to improving the management methods and style of the state economy and collective economy and to further deepening the reform.

The present individual industry and commerce operated by the households in Wenzhou's rural areas are different from the individual economy in the rural areas in the first few years after liberation. Because the household individual industry and commerce are engaged in socialized production and are presupposed by the commodity economy, they have developed to a level higher than the self-sufficient individual economy. Because of the needs of the commodity production, most of these household industries and commerce have developed into various forms of cooperatives and combines whose scale has far exceeded that of household industry. There are now a total of 3,021 service combines in the whole city. These service combines have trucks, buses, cars, tractors, passenger ships, and cold storage and other service equipment, and have a unified plan for carrying out external contacts. Their production and operation activities are carried out by individual households which keep their own accounts. Another form is "affiliated operations," which is actually a regional or specialized cooperative economic organization. Almost all the small individual retailers in the rural areas "affiliate" themselves to a certain unit, otherwise they will not be able to get reference letters and carry out their operations. The units to which the small individual retailers in the rural areas are to be affiliated should be approved by the prefectural and township governments concerned. These units have "unified methods" to keep accounts, write checks, affix official seals, collect taxes, and so on, and the small individual retailers must pay a certain amount of service charges to these units. In operations, the small individual retailers have the right to carry out their productions according to their own methods and are not restricted by any limitations. The units concerned offer more services to the household industries which are affiliated to them, such as offering technological guidance, supplying information and circulating funds, and so on. The practice of making unified plans at a higher level and giving decisionmaking power to the lower level, having both unity and separation, and combining unity with separation, can be said to be a distributed production and cooperative service, which is actually the application and new development of the agricultural system of contracted responsibilities with payment linked to output in the rural industry. We can believe that so long as we adopt this form, continue to expand the services, and increase the variety of services, we will certainly be able to gradually link and combine the household industries and commerce spread in tens of thousands of households with the state economy and bring the household industries and commerce spread in tens of thousands of households into the orbit of socialist planned commodity economy. In this relatively loose and flexible combine, household economy is an independent cell in an organism and not a screw or a spare part fixed in a machine, so household economy is still full of vitality. The "affiliated operation" form has been created by the Wenzhou peasants in their practice and should be highly valued. We should help to gradually perfect it and enable it to play a bigger role in organizing peasants to enter the market and developing the planned commodity economy.

In the spring of this year, I went to Wenzhou for the second time. There I saw cadres at city level, county level, prefectural level, and township level investigating and studying the problems in the development of the commodity economy and discussing measures to strengthen macroeconomic control. Wenzhou's smooth commodity economy development is closely linked with the fact that the leading cadres at various levels have respected the pioneering spirit of the masses and objective economic laws. In dealing with the new contradictions and new problems in the development of the commodity economy, we must stick to and develop the style of investigation and study. The CPC Central Committee has repeatedly and clearly pointed out that to lead is to serve. The commodity economy is unfamiliar to many people and no one can clearly say what kind of development is correct. In order to offer good services, the leading cadres should first of all go deep into the reality and learn from the masses. Only things originating from the masses can really be wholeheartedly supported by the masses and yield positive results among the masses.

/9738
CSO: 4006/1270

GUANGDONG GOVERNOR ON PROMOTING ECONOMIC PROSPERITY

Guangzhou KAIFENG [OPEN POLICY] in Chinese No 1, 8 Jan 86 pp 5-8

[Excerpts of article by Ye Xuanping, governor of Guangdong Province: "Adhere to the Open Door Policy and Reform and Make Prosperous Guangdong's Economy"]

[Excerpt] A. Continue In-Depth Reform

During the Seventh 5-Year Plan, the reform must be given top priority in all our work. This year and next year, the overall economic reform must genuinely revolve around the goal of enterprise stimulation and the balancing of the relationship between "macroeconomic control" and "microeconomic stimulation," the reform of planning, industry, agriculture, commerce, foreign trade, finance, commodity prices, personnel and other work so that each reform in each area supplements that in other areas and that good macroeconomic results can be achieved via microeconomic stimulation. Reforms already being implemented must be absorbed and supplemented according to the above demands, maximizing advantages, and minimizing shortcomings to gradually perfect them.

Government at all levels must be streamlined to grant more power to the enterprises, make more of an effort to build a system of indirect control, and enhance the role of price, credit, taxation, and interest rates as economic levers. A communications system which is rapid and complete should be gradually established and a scientific basis should be created for the adjusting and control of the economy. The localities and enterprises must understand the concept of the macroeconomy, that is, an ability to view the overall situation. We must act according to our capabilities and keep expenditures within the limits of income in the pace of production development and scope of construction and international economic dealings. Upsetting the balance between overall demand and supply is not permitted. We must continue to resolve problems already in existence relating to excessively rapid industrial growth rates, overly large investment scope in fixed assets, the excessive extension of credit, the overly rapid growth of consumer funds, the loss of control over foreign exchange expenditures, and other problems. The entire economy must not be too tightly restricted so that the reform has ample space in which to operate.

B. Further Open Doors Domestically and Internationally

In his proposals concerning the Seventh 5-Year Plan made at the National Party Congress, Comrade Zhao Ziyang pointed out: "During the Seventh 5-Year Plan, we are faced with a situation of further opening up." Guangdong had taken an early step in implementing the open door policy and shouldered important tasks. We must now, according to the special policy and flexible measures continued to be granted us by the Central Committee, further expand and utilize international and domestic markets and augment economic strength by importation from abroad and linking up with the interior to make more contributions to the state.

We must further construct the coastal economic development zone. We must proceed from objective reality in dealing with the three SEZ's, and the Hainan Island, Guangzhou City, Zhenjiang City and the Pearl River delta economic development zones, and make full use of their advantageous conditions to confirm the direction and aims of our development. The various SEZ's should review the experiences and lessons of the past few years in order to make our economic models, structures, scope of construction and management work more suitable, practical, and complete, and make better use of the "four windows" and ("two-sided fan") function. Although Hainan Island, which has just entered upon the "road to opening up," lacks experience and has taken a fall, much good work has been done and economic construction projects of all kinds have been initiated. These experiences and lessons should also be reviewed and encouragement provided to promote further progress. The economic development zones of Guangzhou, Zhenjiang City and the Pearl River delta all have natural advantages, and as already developed regions, should be rapidly developed in the direction of an "export-oriented" economy according to the principle of simultaneous development of "trade, industry, and agriculture," and make even larger contributions.

We must further expand exports and increase foreign exchange earnings. A production system for export commodities must be created to enhance the competitive ability of our export commodities. We must gradually open up an even greater export market.

We must continue to energetically utilize foreign capital and import technology, with an emphasis on energy, transportation, the raw materials industry, the technological remodeling of enterprises already in existence, and projects to "create foreign exchange." The pace and scope of importation must be in accordance with the development of the province's share of the national economy and with the amount of foreign exchange we now possess and ability to repay debts.

While energetically promoting importation, we must make great efforts to develop internal linkups, without which there can be no "two-sided fan" effect. In the last few years, internal linkup work has been raised to the same high level as that of importation work. This was quite correct. This should be further implemented in our daily work to genuinely develop internal linking up as a part of it.

C. Strengthen Priority Construction

Energy and transportation are the weakest link in the province's economy. We must concentrate human, financial and material resources to construct a group of energy, transportation, and communications projects in order to ensure that the needs of the Seventh 5-Year Plan can be met, and to provide for future reserves.

The main goal of energy construction is to increase the amount of electrical power. We must really stress projects of basic-level electrical power capacity, mainly coal fired plants and hydroelectric power plants with reservoirs capable of water level regulation annually. It must be noted that even with conscientious effort, it will take 2 to 3 years before there can be a fairly large increase in the supply of electrical power. It would not be a good idea to overestimate how much of the electrical power shortage can be alleviated by then. Therefore, we must hurry to make plans for electrical power construction in the Eighth 5-Year Plan, do a good job of preliminary work, and maintain a capacity of 1.5 million to 2 million kW.

As for construction in transportation, the current focus for local work is highways. Emphasis must be laid on building and improving the highway network that centers around Guangzhou. Guangzhou's export routes to the east and west must be kept open. Stress must be placed on the construction of high-speed roadways and trunk lines radiating out from the city. Work must be done relating to the construction and improvement of the Heng-Guang Sanmao and Guangzhou-Shenzhen railways; serious preliminary work must be begun on the Guangzhou-Meixian-Shantou line. At the same time, Guangdong's sea and river transportation should be stressed. The development of transportation in Guangdong should be guided by the comprehensive program for the development of transportation.

12221/12859
CSO: 4006/1063

ECONOMIC REFORM FOR YEAR 1987 DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 5 May 86 p 15

[Article by Guo Shuqing [6753 2885 3237]: "How Should Next Year's Economic Reform Proceed?"]

[Text] What in the economy should be reformed and how to conduct the reform are questions everyone is concerned about and discussing lately. After this year's consolidation, assimilation and environmental improvement, bigger strides can definitely be taken next year. Our experiences with the Sixth 5-Year Plan have shown that taking small steps does not necessarily guarantee stability and appropriateness (and in places the steps were not small), and that it is the lack of coordination that creates problems. Adhering to coordination between enterprises, markets, and macroeconomic control as proposed by the CPC Central Committee for the Seventh 5-Year Plan is the correct direction for the reform from now on.

Taking bigger strides next year is necessary due to the objective situation. Only by resolutely taking planned, overall reform measures can we halt and ultimately eliminate the inflation of overall need, supplement and complete some early reform measures and gain good, overall results, thus ensuring the goal of the basic transformation of the economic system during the period of the Seventh 5-Year Plan. If we fail in this, we may lose the benefit of many advantageous conditions we now have domestically and internationally.

Taking bigger strides next year does not mean the immediate resolution of all problems. Nor does it mean lack of focus or an equal advance on all fronts. In considering specific programs, initial stress must be placed on reforms that are urgently needed for which conditions have been fully met--in other words, reform in areas of fundamental significance in economic relations that will not make overly high demands on our management experience and the level and quality of personnel. Only by clearing up old problems in these areas can the restrictive, poor budgetary connection between state and enterprise be severed, and indirect controls be used to replace direct control to realize a target model. The use of a few clever methods to get around these problems and find a shortcut is utopian in theory and in practice would lead to delays in the reform. The experiences of China and of other countries have demonstrated this point.

First of all is the reform of the price system for the means of production. Actually, this reform does not have direct bearing on living standards. The main reason for last year's fairly rapid increase in the commodity price index after the reform of consumer prices is not to be found in the reform itself, but in the inflation of investment and consumption. As long as we persist in controlling demand, keep a definite amount of funds in reserve, and maintain the amount retained by the enterprises to a reasonably low level, there will be no effect on the overall situation. In the price reform, we must thoroughly consider all sides of the matter and should implement unrestricted, and fluctuating prices and setting maximum price limits on most finished products while rationally readjusting the price of basic fuels and raw materials.

The irrational tax system must also be reformed in relation to prices. We must repeal the readjustment tax, expand the natural resources tax and transform most of the backward circulation taxes, such as the product and business taxes, into appreciation taxes. We must also improve the individual income tax and charge an investment tax on industries that need to have a brake put on their development.

In the implementation of a compensated land-utilization system, units that utilize urban construction sites must first of all pay tax to the state in order to further expand the land lease market and create a base for a real estate trading market under the control of the state. A compensated utilization system must also be gradually applied to forest lands, grasslands, and cultivated land.

While eliminating the readjustment tax, we must implement a fixed-asset utilization tax. Although it will be quite difficult to apply this tax completely fairly and rationally, and despite the fact that it may have certain negative results, its benefits will be greater than its drawbacks. As it will be difficult to precisely calculate current and original value, different tax rates will have to be computed for different industries to eliminate overall differences in revenue due to differences in fixed assets.

The reform of the financial system should revolve around the development and completion of the present banking system. While maintaining control over credit norms, we must accelerate the construction of a system of controls over the amount of currency, adjust the interest rate structure, further raise interest levels, and gradually grant autonomy to grassroots banks. Under the control of the Central Bank, we must encourage the lateral flow of funds and build and develop state-controlled investment companies and trust companies.

Other areas of coordination include: 1. Reorganizing materials departments, creating wholesale companies for means of production, organizing the production and management of means of production based on commercial principles; 2. readjusting the planning system and shrinking the scope of the directive system of planning in accordance with the progress of the price reform; 3. reforming the system of export tax drawback subsidies and improving the licensing system; 4. reevaluating exchange rates. In addition, in the labor system an end must be put to the recruitment of a permanent work force, expanding instead the employment of contract labor, temporary workers, peasant and seasonal labor, etc. As regards internal enterprise organizational forms, while developing the factory director system of responsibility, the creation of management committees could be considered in making the transition to the new system.

What must be particularly stressed is the fact that next year's reform relies, to a fairly great extent, on this year's work in improving the environment and in the preparation of conditions. Of primary importance is persisting in the reduction of the overall scope of investment, and while improving the structure of investment credit, continuing to tighten up the money supply, preparing good designs for reform programs, doing investigative work, accelerating the pace of the enhancement of banking, auditing, and taxation sectors and personnel training, and so on. Only if we seriously review our experiences and resolutely implement these proposals for the Seventh 5-Year Plan, can great breakthroughs be made in 1987.

12221/12899
CSO: 4006/1073

ALLOCATIONS FOR SEVENTH 5-YEAR PLAN OUTLINED

Beijing JINGJI RIBAO in Chinese 29 May 86 p 2

[Article by Wang Fu [3769 1381]: "What Are the Focal Points of the State's Financial Distribution for the Seventh 5-Year Plan? Guarantee Priority Construction Projects; Expand Investment in Developing Intellectual Resources; Support Overall Economic Reform; Increase Capital Input in Agriculture"]

[Text] According to a relevant responsible person from the Ministry of Finance, state financial allocation and distribution during the Seventh 5-Year Plan will be made according to our capabilities and the greatest effort will be exerted to guarantee priorities, while heeding the principle of taking care of the average. Priorities of the financial distribution are:

- Based on the premise of controlling the overall scope of investment in fixed assets, rationally adjusting investment structure to guarantee that the funding needs of priority state construction projects will be met. The purpose of controlling the overall scope of investment in fixed assets is to achieve a balance between overall social need and supply and to prevent inflation caused by excessive allocations of the national income in order to ensure the sustained stability of the national economy and the smooth functioning of the overall economic reform. The purpose of readjusting the investment structure, reducing investment in some processing industries, and appropriately controlling the growth of investment in nonproduction-related construction is to guarantee that the funding needs of investment in state priority construction projects and ensure that economic development will continue in the 1990's and even longer. For this reason, the State had arranged 349.9 billion yuan to be used in capital construction during the period of the Seventh five-year plan. The allocation is equal to 31 percent of the total financial expenditure for the same period and the annual average increment is 6.9 percent.

- Expanding the development of intellectual resources. During the Seventh 5-Year Plan, 201.6 billion yuan will be allocated for cultural, educational, scientific, and health work, of which 116.6 billion yuan is to be spent on education for a 72-percent increase over the Sixth 5-Year Plan, and an annual average increase of 8 percent. This will exceed the growth rate for ordinary financial revenue. In addition, local governments at all levels will use some of their reserve funds to develop education.

- Supporting the overall economic reform. An important task of the Seventh 5-Year Plan is to further a good economic and social environment for the overall economic reform. We must work hard to maintain a basic balance between overall social need and supply, ensure the smoother functioning of the reform and strive to build within 5 years or an even longer period of time, a lively, vigorous socialist economic system with Chinese characteristics. This extraordinarily complex and arduous task requires a definite amount of financial support. In order to completely support the overall economic reform, favorable treatment regarding taxation and profit must be granted that will reduce state revenue, such as reducing the readjustment tax on large and medium-sized state-run enterprises, increasing the depreciation rate on the fixed assets of state-run enterprises, and supporting a price system reform. On the other hand, expenditures must be increased for items such as certain subsidies.

- State financial input in agriculture will be greater than during the Sixth 5-Year Plan. In order to ensure the coordinated development of industry and agriculture, during the Seventh 5-Year Plan the state will appropriately increase investment in basic agricultural construction and expenditures for agricultural work and use 1 billion yuan annually from increases in township and town enterprise tax revenues to make industry supplement agriculture. State expenditures during the Seventh 5-Year Plan to aid rural production and agricultural work in general and provide financial support for development in economically backward rural regions will increase over the Sixth 5-Year Plan, which will play an important role in enhancing the ability of poorer regions to rely on their own efforts to develop production and improve living standards.

A responsible person from a relevant section of the Ministry of Finance pointed out that while guaranteeing that the above-mentioned funding needs will be met during the Seventh 5-Year Plan, expenditure needs in all other areas will also be given overall consideration. Increases in nonproduction-related and administrative expenditures must be appropriately controlled. However, it must be noted that the Seventh 5-Year Plan exactly coincides with a period of the overall deepening of the reform of the economic system, and the necessary funds must be prepared for the smooth functioning of that reform. We must stress increasing revenues and reducing expenditures, solidly guaranteeing the balance of income and expenses and implementing a fundamental turn for the better in the financial situation. This will be an arduous yet glorious task for the financial sector.

12221/12899
CSO: 4006/1073

JOURNAL DISCUSSES CONSUMER GUIDANCE

HK120644 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 86 pp 9-10

[Article by Li Landi [2621 5695 2769]: "Guiding the Consumers and Strengthening Macroeconomic Control Over Consumer Goods"--edited by Lin Daojun [2651 6670 0689]]

[Text] Judging from the situation of the present phase of our economic development, paying attention to the work of guiding the consumers is essential to the strengthening of macroeconomic control.

Some years ago, we went through a short period of inflated consumption due to our lack of experience and reasons like the "throes of reform." The increased pressure from society's total demand brought difficulties to economic development. Subsequently this was effectively brought under control by the state through the timely introduction of financial and monetary policies. The results were remarkable. However, we should take note of the fact that the situation where total demand exceeds total supply still has not been fundamentally changed and it is still necessary for us to further strengthen and improve macroeconomic control. At the same time, we must also attach sufficient importance to the delayed action of the exacerbated expansion of consumption funds as a result of "overactive economic activities" in the previous stage and must check the potential threat of this kind of delayed action by guiding the consumers. This is a necessary task in our efforts to consolidate, digest, supplement and improve the reform measures under new historical conditions. It is also an important aspect of economic management and an important component of macroeconomic control.

According to a forecast made by departments concerned on domestic market trends in 1986 and a survey of changes in the mode of consumption in Chinese families, the livelihood of the people will gradually change from basic subsistence to a moderately well-off level. This is chiefly reflected in the change in food consumption from the "staple food type" to the "non-staple food type," the change in clothing consumption from uniformity to diversification, and the change in the consumption of daily consumer goods from the "necessity type" to the "enjoyment type.". These changes in the consumption structure show that China has entered a new historical period in its economic development. Changes in the consumption structure are inevitable when economic development has reached a given level. They also provide the internal incentives for economic development. However, in addition to genuine changes in the consumption structure prompted by breakthroughs in our economic development in recent years, exist false consumption. This is chiefly manifested in the vying for a higher standard of consumption, in the tendency to only think of the present but not the future, only of "enjoyment" but not economic development in consumption, and even in the emergence of the phenomenon of liability consumption. The reasons for the existence of false consumption are: First, consumption long suppressed by the mode of basic subsistence in livelihood is activated by the rise in the standard of living. Second, the role of demonstration effect of consumption. The mode of consumption of some developed countries and the high level of consumption enjoyed by those people who have already become better-off have fueled people's desire to obtain better consumer goods. These two points have exacerbated the pnenomenon of "premature consumption" resulting from the expansion of consumption funds. If not effectively checked through the guiding of consumers, this is bound to produce chaos in our economic life. Pressurized by changes in the consumption structure and in the market situation, the market life span of some consumer goods which actually suit the present level of economic development will be greatly shortened and the updating of the product mix will proceed too quickly. This will bring greater pressure to bear on investment in capital construction. Excessive investment in the fixed assets will reappear, which in turn will precipitate the expansion of consumption funds (because a sizeable amount of investment in the fixed assets will be converted into consumption funds) and ultimately lead to the further expansion of social needs. This will upset the normal, sustained, and steady growth of the economy.

These are two aspects to social consumption, namely consumption to meet production needs and consumption to meet livelihood needs. Thus, the guiding of consumers should also include these two aspects. Pride of place should be given to livelihhod consumption. The purpose of guiding the consumers is to ensure steady economic growth through improving the consumption structure and regulating the relations between social needs and supplies. In addition to making a continued effort to control inflated needs, it is also necessary to improve supplies and further invigorate production. While striving to slow down the excessive rate of growth, we must maintain a suitable growth rate on the basis of striving for better returns. Thus, we should adopt the following measures in our efforts to guide the consumers: We must strengthen publicity. Whether in consumption to meet production needs or consumption to meet livelihood needs, we must advocate carrying forward the virtues of plain living, hard struggle, diligence and frugality of the Chinese people. We must explain in a realistic way that China is still a developing country where the economy is just beginning to be enlivened, that it is necessary for us to keep consumption and accumulation in suitable proportions, and that we can only ensure steady economic growth when we have sufficient social accumulation. In livelihood consumption, we must keep pace with our national conditions and the level of economic development and distance ourselves from the mode of consumption of "post industrial societies." We must resist the adverse influence of the demonstration effects of the mode of consumption in the developed countries and strive to eliminate the adverse effects of "premature consumption" on our economic development in the present stage.

2. We must strive to readjust the strucutre of investment. In consumption to meet production needs, we must make use of the economic levers to readjust and improve the structure of investment. In the next few years, we must cut down on the number of new projects. In particular, duplication in the construction of factories must be strictly controlled in order to reduce investment in fixed assets. Technological transformation, innovation and the tapping of existing potential should be encouraged. At present, we must concentrate on grasping the work of expanding reproduction by intensive means and guide the enterprises in taking the road of economic associations.

3. We must fully utilize the pricing lever in guiding the consumers. In a commodity economy, pricing has a direct bearing on changes in the consumption structure. This role is particularly notable during the transition from the mode of basic subsistence to the moderately well-off mode of life and at a time when consumption is beginning to grow. In respect of commodities with a relatively small demand elasticity, prices should be kept fairly stable. In respect of commodities with fairly great demand elasticity, we should adhere to the principle of demand-guided pricing by fixing a higher [word indistinct] demand is great and lowering the price when demand drops in order to better coordinate the relations between demand and supply.

4. We must guide the conversion of funds for livelihood consumption into funds for production consumption. On the matter of "precipitated" consumption funds in society, we must, in addition to producing more marketable commodities to speed up the returns of the money, also rely on various forms of saving to absorb idle funds for use in the development of production.

5. We must control the import of consumer goods. While striving to improve product quality, reduce production cost, and prolong the market life span of commodities, we must also control the import of consumer goods. This is of particular importance at present when we are faced with a shortage of foreign exchange. We must avoid letting "foreign goods" flood the domestic markets because this will result in too frequent readjustments of the product mix and adversely affect the improvement of the investment structure.

6. We must decide on a moderately well-off consumption structure that conforms with our national characteristics on the basis of resources available in our country. For example, the development of the means of transport, the people's diet and so on must have Chinese characteristics developed on the basis of domestically available natural resources. On no account must we blindly imitate the modes of the developed countries. Due to the energy shortage, the development of private cars and motor cycles should be curbed. Constrained by scarce per-capita arable land and pastureland, we must not seek an excessively large proportion of meat, egg, and milk products in our diet, and so on.

/9738
CSO: 4006/1271

ECONOMIC MANAGEMENT

PAPER REPORTS ON ELECTRICAL APPLIANCES INDUSTRY

HK081510 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 86 pp 11-13

[Article by Liu Liexun [0491 3525 8113] and He Yibu [0149 0001 1009] and edited by Pan Shucheng [3382 6615 3397]: "Strengthen Management Over Trade and Promote the Healthy Development of the Homw Electrical Appliances Industry"]

[Text] The system of departmental management has been followed in China's industry all these years. Following the development of production and the advance of science and technology, the drawbacks of the system of departmental management and regional separation are becoming more and more obvious. As seen from the development of the home electrical appliances industry in recent years, the main drawbacks of the system of departmental management and regional separation are as follows: First, when a department or locality only concerns itself with its own needs and does not take the interest of the whole into account, unified planning and rational distribution will suffer, resulting in blind development. Second, there is duplication of imports, because each department and region wants its own way and negotiates with foreign businessmen separately. The failure to look around and make a comparison before deciding on what to import has inflicted economic losses on our country and benefitted foreign businessmen. Third, the failure to form an integrated information feedback system is not conducive to the formulation of prompt and precise macroeconomic decisions.

The CPC Central Committee pointed out in its proposals for the Seventh 5-Year Plan: "Departments of specialized economic management should switch from specific management over production and operations in enterprises directly under their administration to management of the entire trade. They should be responsible for formulating programs for the development of the entire trade, study major economic and technological policies concerning the trade, and organize information exchange, technological development, and personnel training." Thus, strengthening management of the entire trade and changing from departmental leadership to management of the entire trade and from serving one department to serving the entire trade constitute an important aspect of the current reform of the economic management structure. Management of the entire trade chiefly means strengthening macroeconomic control and providing guidance to open up and invigorate the microeconomy. We must concentrate on formulating programs, principles, and policies for the entire trade, formulate policies in regard to technology, readjust the enterprise structure and product mix of the entire trade in accordance with the principles of coordination among specialized departments and economic soundness, formulate economic laws and regulations and supervise their implementation, issue production licenses, and coordinate the relations between various departments and regions in the development of lateral economic associations.

The home electrical appliances industry is a burgeoning industry which started to develop after the 3rd Plenary Session of the 11th CPC Central Committee. Following the rapid development of the national economy and the gradual improvement in the living standards of the urban and rural populace, home electrical appliances like refrigerators, washing machines, and electric fans gradually made their way into the homes of the urban residents and some rural households. They have become "goods in great demand." Thus, the development of the production of home electrical appliances promises a great future. With various regions and departments vying with each other to launch new projects, a scene of prosperity is seen in the home electrical appliances industry. In order to ensure the healthy development of the home electrical appliances industry, there is a pressing need for us to strengthen management of the entire trade and macroeconomic guidance while adopting flexible measures to invigorate the industry. In recent years, the Ministry of Light Industry, which is responsible for the management of the home electrical appliances industry, has, with the support and close cooperation of the State Planning Commission, State Economic Commission, Ministry of Foreign Economic Relations and Trade, and relevant departments in machinery, electronics, aviation, space, ammunition, shipping, and pharmaceutical industries, done something to strengthen the management of the home electrical appliances industry as a whole.

1. A good job has been done in improving market research and forecasting, carrying out overall planning, and selecting the best qualified.

Management of the entire trade can enable us to break down barriers between departments, regions, and ownership systems, carry out planning and layout for the entire trade from the angle of the entire national economy and the entire trade, and avoid acting blindly. Being able to make fairly accurate and scientific forecasts is an important basis for overall planning and rational distribution. In order to promptly understand and grasp changes in market demand, in 1980 and 1982, the Ministry of Light Industry organized two national market surveys and forecasts in regard to the home electrical appliances industry. In the fourth quarter of 1984, a similar market survey and forecast was organized on a still larger scale. Survey was conducted on the production and marketing of and consumption demands for refrigerators, washing machines, electric fans, air conditioners, and freezers in 25 provinces, cities, and autonomous regions. In addition, a typical family planning survey was conducted on 5 million urban and rural households to provide a basis for the leading departments at all levels to guide production and formulate plans for the development of refrigerators, washing machines, air conditioners, and other key home electrical appliances during the Seventh

5-Year Plan period. There were objectives in planning and a direction to follow in readjustment. Later on, two investigation teams were organized to carry out on-site investigations on the construction of factories and units manufacturing refrigerators and washing machines and on technology import, development programs, and so on. Through investigation, it was understood that blind development and duplication of imports were quite serious as far as refrigerators and washing machines were concerned. For example, market surveys and forecasts show that by 1990, the demand for refrigerators will be 7.5 million while imports by various localities will total 13.5 million, greatly exceeding social demand. Statistics from 56 refrigerator import projects for which contracts are being negotiated with foreign businessmen show that a total of 200 million dollars will be required to pay for the imports, which are mostly assembly lines. Upon the completion of these assembly lines, it is still necessary to spend huge amounts of foreign exchange to import parts because China is yet unable to supply them. Washing machines are another example. By 1990, market demand will be about 12 million, but as many as 20 million washing machines will be available according to development programs of various localities for expansion transformation and imports. Calculated roughly, it is quite sufficient to have 30 or so washing machine factories with an annual output of 400,000-500,000, which is a sound economic scale, in the whole country. In 1982, however, the number of such factories once shot up to over 300. After amalgamation in recent years, there were still 108 washing machine factories in our country in the first half of 1985, of which only seven had an annual output of over 200,000. As for the import of washing machines, deals have been concluded on 30 projects involving the import of 800,000 machines. In addition, 18 projects have been approved and, upon the signing of contracts, another 440,000 machines will be imported, a large number of which are diplications of imports. If blind development and the duplication of imports in the home electrical appliances industry are not halted in time, we will repeat the same mistake made in regard to the "old three major article" of bicycles, sewing machines, and wristwatches, and inflict unnecessary losses on the national economy.

In order to quickly put an end to the blind development and duplication of imports, the Ministry of Light Industry, in conjunction with the departments concerned, proposed on the basis of studies, plans and measures for controlling the imports of refrigerators and washing machines and for the checking up, readjustment, and consolidation of factories and centers manufacturing such machines. Upon approval by the State Council, the State Planning Commission and the State Economic Commission, these were implemented by the Ministry of Light Industry in conjunction with the departments concrerned and the local authorities. After readjustment, the number of factories and centers manufacturing refrigerators dropped from 116 to 42 and the scale of imports was reduced from 13.5 million to 8.42 million. As regards washing machines, 11 projects to import production lines which had already been approved but for which contracts had not yet been signed were slashed. Initial decisions were made to support 22 chosen washing machine factories which possessed good production and technical conditions, turned out goods of high quality, and produced high economic returns. Orders were given to 34 washing machine factories which had poor production and technical conditions, which turned out goods of high quality, and produced high economic returns. Orders were given to 34 washing machine factories which had poor production and technical conditions, which turned out products of poor quality and produced poor economic returns, and which were unable to increase production all these years to convert to other lines of production as quickly as possible. The remaining 52 washing machine factories were to be assessed by the Ministry of Light Industry in conjunction with departments concerned, in the light of agreed terms for the issuance of production permits upon the recommendation of the provinces, cities, autonomous regions, and departments concerned.

The readjustment of refrigerator and washing machine import projects and factories and centers manufacturing such products involved more than 20 provinces and cities, 8 industrial departments under the State Council, and departments in charge of overall economics and trade, financial, banking, taxation, and customs matters. Some of the projects were personally looked into by the leaders of provinces, cities, and State Council departments concerned. Under such circumstances, the difficulties involved in the readjustment were by no means small. However, because the State Council had promptly made the necessary decisions and the leading comrades of the State Planning Commission and the State Economic Commission had taken a personal interest in the work and urged each and everyone concerned to enhance their consciousness and unify understanding, all submitted to the interests of the whole. The relevant management departments were able to select the best qualified, handle matters importially, carry out democratic consultation and treat everyone and every unit equally regardless of affiliation, just as one holds a bowl of water level with both hands. For this reason, they won the close cooperation and support of departments and localities concerned.

2. The work of organizing imports and providing technical counselling was strengthened and a unified approach was developed in external dealings.

After carrying out check-ups and consolidation on refrigerator and washing machine imports, the Ministry of Light Industry together with the Ministry of Foreign Economic Relations and Trade strengthened the work of organization and technical counselling in regard to approved import projects and developed a unified approach in our external dealings. Because there was concerted action within, there were no loopholes for foreign businessmen to exploit. Foreign businessmen were made to compete with one another so that we could compare and select the best for our imports. Efforts were made to avoid forcing up prices as a result of internal competition, which would benefit the outsiders.

At present, we are making a start by grasping the import of large injection machines. We are conducting negotiations and seeking quotes in a unified way for large injection machines to be imported by key washing machine factories. At the same time, we have adopted the method of combining foreign trade with the introduction of new technology. While importing the equipment, we will also import the technology of manufacturing the equipment in order to enhance our country's ability to manufacture large injection machines.

3. The work of controlling and supervising the product qualify of the entire trade was strengthened.

The quality of light industrial products directly affects the vital interests of the vast numbers of consumers. With high-quality durable consumer goods like home electrical appliances in particular, poor quality will inflict great economic losses on the masses. If the safety of home electrical appliances is questionable, the personal safety of consumers will be at stake. Thus we cannot take the matter lightly. Striving to improve product qualify is a long-term strategic task in the building of socialism. The home electrical appliances industry is a burgeoning technology-intensive industry. In our country, the technical and management levels for this trade are still very backward. Thus, we must put special emphasis on the need to improve product quality and uphold the principle of quality first. When we strengthen management of the entire trade, we must take the strengthening of the work of controlling and supervising the product quality of the entire trade as a regular and important aspect of our work.

First, we must single out typical accidents caused by quality problems in enterprises and boldly expose and solve contradictions without shielding anyone's faults. Enterprises should be helped to sum up experience and lessons and correct their building concepts. It should be further explained to the enterprises that in time of market shortage, it is all the more important that they should pay attention to quality and correctly handle the relationship between quantity and quality and between growth rate and benefits. At the same time, enterprises should be helped to conscientiously do a good job in digesting and assimilating imported technology and equipment and in carrying out innovation. They should strengthen quality control and improve measures for the testing of instruments and equipment and for personnel training in order to bring about a marked improvement in product quality. Through grasping typical cases and holding on-site meetings for the exchange of experience, we should turn the experience of a single factory into wealth for the entire trade.

Second, we must launch large-scale quality inspection in the entire trade and, in so doing, effectively promote the in-depth development of the work of digesting and assimilating imported projects, carrying out innovation, and exercise quality control and supervision in the entire trade.

Third, in order to ensure that that work of controlling and supervising the quality of home electrical appliances will be made a regular practice, the Ministry of Light Industry has taken further steps to strengthen the work of formulating and amending quality standards for the home electrical appliances industry and has formulated laws and regulations governing the safety standards of home electrical appliances. At the same time, it has been suggested that testing centers at the national level and testing sub-stations should be strengthened. The system of quarterly spot checks should be adhered to in order to promote the steady improvement of product quality in the entire home electrical appliances trade.

4. Efforts were made to promote lateral economic associations, develop coordination among specialized departments, and vigorously grasp the production of necessary parts.

For years, the development of our economy had been subject to the influence of the old pattern of development, with various departments and regions striving to form independent systems of their own. Enterprises, too, tried to be "big and complete" or "small but complete." This is economically very unsound. Thus, breaking down the barriers between departments, between regions, and between ownership systems, and developing lateral economic associations, is the only way to develop the home electrical appliances industry. This kind of association should start from the production of key parts for machines.

At present our country still depends on imports for parts like compressors, evaporators, and thermocontrollers for refrigerators and room air-conditioners for average and high-quality washing machines. This not only means we have to spend tens of million dollars in foreign exchange each year, but also puts our refrigerators and washing machine production in a passive state, subject to the supply situation on the international market. Thus, properly organizing the specialized production of key parts and striving to realize the goal of building entirely Chinese-made machines as early as possible is the direction and road we must follow in order to promote the healthy development of our home electrical appliances industry. To this end, the Ministry of Light Industry together with the departments concerned, in accordance with the principles of unified planning and selecting the best qualified, made arrangements regarding pre-selected production points for the Seventh 5-Year Plan period on the basis of investigations and after consulting the departments, provinces and cities concerned. This included 13 compressor factories (of which 5 are under the Ministry of Light Industry), 7 evaporator factories (of which 3 are under the Ministry of Light Industry), and 9 thermocontroller factories (of which 6 are under the Ministry of Light Industry).

The strengthening of management of the entire trade is a new aspect of the reform of the economic structure. Although the light industrial departments have done some work and made a good start in the past few years, we have but just made a beginning. As a next step, we will conscientiously sum up experience, actively create the necessary conditions to set up, step by step, a national association for the whole home electrical appliances trade and make it the adviser and assistant to relevant management departments, strive to explore ways and means for strengthening the management of the entire trade, and do a still better job in managing the entire home electrical appliances trade throughout the country in order to promote the healthy development of this industry.

/9738
CSO: 4006/1272

ECONOMIC MANAGEMENT

JINGJI GUANLI ON OVEREXPANSION OF INVESTMENT

HK120645 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 86 pp 24-27

[Article by Fei Zhongfu [6316 0112 5706], edited by Lin Daojun [2651 6670 0689]: "Overexpansion of Investment"]

[Text] Overexpansion of investment is a prominent problem in the economic life of our country and has been watched closely by the various relevant departments. People have discussed much about the causes of overexpansion of investment, its dangerous aspects, and the countermeasures against it. I shall give my views from the angle of the method of evaluating the economic benefits.

It is not sufficient to look at the problem of overexpansion of investment from the figures of the gross investment scale, the accumulation rate, and growth rate of the gross investment volume. These figures themselves cannot denote the serious character of the problem. It is necessary to look at the problem jointly from the two angles of the direction of investment (investment structure) and the economic benefits of investment. The direction of investment refers to whether the investments have been sufficient in cases in which investment is urgently needed and whether investments have been excessive in cases in which investments should not have been made. The economic benefits of investment refer principally to the economic benefits of all investment projects as a whole and not the partial economic benefits of a particular investment project.

If the gross investment volume is high but if the funds have all been invested in the direction in which they should have been and the aggregate economic benefits of all the projects are good, then the problem is not at all too serious. It is true that for a short period of time economic life is a little stringent, but this state of stringency will be quickly eased following the completion of the projects. The problem is a serious one when the gross investment volume is overly large and, at the same time, the investment direction is not appropriate and the aggregate economic benefits are also poor, as this may drag our economy to a breakdown. Conversely, if the investment direction is not appropriate and the aggregate economic benefits are also poor, then even though the gross investment volume has not surpassed the accumulation rate arranged beforehand, the problem is extremely serious.

Hence, simultaneously with solving the problem of the overexpansion of investment, we should solve well the problems of the direction of investment and the economic benefits of investment. In essence, the latter two problems are even more important. In addition, we should also follow the general direction of the reform of the economic structure of our country to further augment the vitality of the enterprises, develop a planned commodity economy, and the state's control over the enterprises should gradually evolve from being principally direct to being principally indirect. A "pure" planned economy naturally can control the overexpansion of investment, but surely we should not take the old road again. On the other hand, in solving the problem of the overexpansion in investment, we cannot depart from our country's economic reality. For example, because of historical reasons, we still have not set up a relatively developed commodity market, and the whole price structure has also been seriously twisted. Although we have already opened up a portion of the commodity market, the perfection of a commodity market must go through a definite procedure while putting the prices in order must be gradual and cannot be accomplished all at once. In the type of market economy of Western states, reliance on market mechanism alone can prevent the unlimited expansion of the investment scale, but it is not yet realistic for us to hope that we can right now depend on this type of market economy to control the overexpansion of investment. We must probe for measures that can also attend to other aspects.

Looking at our economic realities, all the three problems are in existence; namely, the investment scale being overly large, the investment direction being inappropriate, and the economic benefits being poor. At present, the problem of the overly large scale has already drawn much attention and people are also keenly aware of the presence of the problem of the investment direction being inappropriate. Phenomena such as redundant construction, duplicate introduction or importation, unmarketability of products, inability to rectify the problem of the "products being in abundant supply," and the problem of "products being in short supply" are all indicative of the serious character of the problem. But, seriously speaking, the problem of the economic benefits of investment is still far from having been really carefully noted. The great majority of large and medium-sized projects is still subjected to administrative policymaking and not to policymaking according to economic benefits; economic analysis reports of large and medium-sized projects after their completion are still seldom seen.

Problems in investment are naturally related to many of the concrete investment policies we have formulated, but we must also point out that aside from the investment policies not having been sufficiently adequate, there are still other forces in soviety that have propelled our investment activities to the opposite direction of our wishes. Some of these forces are ideological, some are historical, some are formed by customs, and some are formed by the policies we have formulated in other sides; that is, in formulating these policies, we have failed to note that they would produce passive effects on investment activities. For example, we advocate linking together the interests of the enterprises, the bonuses, salaries, and wages of the staff members and workers and the economic benefits of the enterprises (in reality the realized profits and taxes of the enterprise), but under the extremely irrational conditions of our price structure, by so doing, the natural result will be concentration of the enterprises' investment and enthusiasm for operation in the direction of the small number of projects that charge high prices and yield large profits. We commend the departments and regions that have yielded high output value and large profits and eulogize them as having made large contributions. This is tantamount to point the investment direction for the various departments and regions to follow, but this direction frequently is not in line with the overall interests of society.

Taking a comprehensive view of the investment scale, the investment direction and the investment's economic benefits, the causes of the problem of our investment direction may in general be the following direct ones:

1. Many departments, regions, and enterprises have taken the "doubling of output value" as the objective to go after, disregarding the precondition of "enhancing economic benefits." Some have even taken "enhancing the economic results" as merely seeking profits and taxes. In reality, output value involves many duplicate computations and profits and taxes also consist of a portion of the national income. The objective which the economic activities of socialist states go after should be the national income computed in rational prices.

2. In the distribution of funds, we have still to a large extent retained the pattern of dividing them into portions for distribution. This in general is based on experiences and not on a scientific method of procedure. Hence, it provides no guarantee that by so doing the distribution is not rational. In ideology and understanding, we are still accustomed to taking that the funds cut and designated for whatever region or department belong to that region or department; no department or region is willing to spend the funds designated to it on another department or region. Hence, this portion of budget funds cut into parts cannot possibly flow in the direction of better overall economic benefits or in conformity with the more urgent needs of the national economy.

3. The current irrational price system, and, added to it, inappropriately taking the profits and taxes calculated on the existing prices as the economic benefits, have served as false red or green traffic lights to the extra-budget funds. Large amounts of funds rush to a minority of industries and trades and to a small number or products while nobody cares for projects that are extremely short in supply in the overall balance such as those in the raw materials industries and basic facilities. Because of social, political, and historical reasons, putting the prices in order takes a rather protracted period and it is not possible to open up all the prices swiftly. Hence, in the recent period, we cannot avoid the intervention of the direction of capital flow by irrational forces.

4. Economic levers are originally measures employed by the state to protect the overall economic interests and to direct economic activities. Unfortunately, up to now, a scientifically based method has not yet been evolved which can ensure the correct employment of the economic levers.

5. Over expansion of credits and loans. This indicates loopholes in our credit and loan policy. Up to now, we have not yet evolved a unified economic parameter that can effect liaison between the gross investment scale and restriction of credits and loans. When an enterprise applies for a loan, if only it can demonstrate that financially it can repay the loan, then in all likelihood the application will not be rejected. Under the conditions of the before-tax payment of interest and repayment of principal, any project, so long as the profit-and-tax rate of the funds is slightly higher than the bank loan interest rate, can obtain the loan whereas another project with truly good economic benefits does not necessarily enjoy any priority in obtaining loans. However, in satisfaction of the demand of the same market, it is possible that two or more than two enterprises can conceive of projects on the basis of the same demand and apply for loans. By so doing, under the conditions of the banks not being in good liaison with each other, many duplicate projects may appear.

6. The information or intelligence system not being sound enough and the information or intelligence channels not being in a smooth order.

7. In their minds, leaders at various levels of the various departments and regions have still entertained many selfish departmental ideas, lacking the concept of viewing the situation as a whole, always striving to seek more projects and more funds for their own departments or regions and seldom paying any regard to whether the whole situation will be benefitted. Ideas of making a "grand start" but "leaving little behind upon departure" are prevalent.

There may also be other reasons and causes. In solving the problem on the side of investment, formulating suitable policies and measures principally against these direct causes naturally is conceivable. But measures of a countering nature frequently may not be able to deal with all the factors mentioned above. Although measures like blocking, checking, and stopping may control the investment scale to a certain extent, they may not definitely and simultaneously solve the problems of inadequate investment direction and poor economic results. The vitality of the enterprises may also be curbed. This goes against the general guideline of the reform of the economic structure.

The problems found in arranging the funds within the budget, in guiding the extra-budget funds, in employing the economic levers, and in controlling credits and loans may all be traced to a common source; that is to say, up to now we have not yet set up an economic benefit concept in line with the unanimity and unity of the socialist system and our national conditions. We have failed to set up corresponding and unified methods and system for evaluating the economic benefits of the various kinds of economic activities.

Our strategic objectives and strategic guidelines for the economic development of our country all have made mention of enhancing the economic benefits, calling them the "center" and the "precondition" of all economic work. In reality, this is the general policy of our economic development and also the general policy of investment. Investment projects must have good economic effects. Arranging the order of distribution of funds in accordance with the high or low economic benefits of the projects concerned and integrating all with an overall balance is the most appropriate investment direction. It is doubtless correct and essential that emphasis is laid on enhancing the economic benefits. Following this, we should, on a nation-wide basis, unify the economic benefit concept and set up and enforce methods and measures for evaluation of the economic benefits. Only by so doing can all economic activities have some guideline by which to abide. Unfortunately, we have been lax on this score, even to the extent of taking a laissez-faire policy, allowing people to interpret by themselves which projects produce good economic results and which projects produce poor economic results, and eventually letting them take their own course of action. The consequences of this laxness are that the capitalists' concept of economic benefits and method of appraisal are copied in whole and without any change: On the problem of investment, the western "method of appraisal" is followed in whole and computing the profit rate of funds according to the existing prices is taken as the target for the evaluation of the economic effects; with regard to the enterprises' operations, computation is also made at the existing prices, and the larger the profits and taxes realized, the bigger the contributions the enterprises are considered to have made.

When we talk about enhancing the economic benefits, we mean enhancing the economic benefits as a whole. The economic objective for which our whole society jointly looks is the maximization of the national income, and, concretely speaking, of the net output value of the enterprises. We should set up our own economic benefit concept and the corresponding method of evaluating the economic benefits. Inappropriately borrowing the use of the capitalists' economic benefit concept and method of evaluating economic benefits may be said to be one of the basic causes for the emergence of the various problems in our investments.

Following the method recommended by the Industrial Development Organization of the United Nations and the World Bank, the State Council's Research Center on Economic, Technological, and Social Development (formerly the Technological and Economic Research Center), drafted early in 1985 a report for discussions on "evaluation of the national economy--method of economic evaluation of the feasibility of industrial construction projects." This evaluation method of the economic benefits of projects (briefly known as "economic evaluation method") basically is unanimous with the socialist concept of economic benefits.

As far as the investment projects are concerned, this "economic evaluation method" has the maximization of the national income as the economic objective; the general evaluation target is the funds generation rate (amount of increase of the national income brought about by each yuan of capital fund); shadow prices are used in lieu of the existing prices to compute the outlay charges and the benefits attained, and as for the majority of import and export cargoes, the offshore and onshore prices are taken as the basis for calculating the shadow prices; what is more important is that we must compute at the same time the indirect costs and the benefits and that in cases wherein an enterprise has edged out another enterprise in raw materials and market projects, reduction of the net output value of the other enterprise should be first made from the net output value of the project before the funds generation rate is calculated; projects turning out products in short supply, because of enabling the enterprises concerned to earn and to operate in full, will help in enhancing the funds generation rate. The government will specify a unified standard earning rate (end fund generation rate); projects earning lower than this standard rate will not be entertained and will be refused loans by the banks; projects with a high funds generating rate will have priority in obtaining loans.

If we can use the results from this "economic evaluation method" as the principal basis for investment policymaking and if we use the same kind of concept and method to evaluate the economic benefits of the economic activities as well as to serve as the major basis in policy making, then the many problems on the investment front can be basically solved. Briefly, we may elucidate as follows:

1. Arrangements for distribution of funds within the budget will have a scientific basis. Departments can report to the Planning Commission the large and medium-sized projects the products of which have definite markets, which have a definite source of supply of raw materials for their products, which definitely can take command in technology and whose fund generation rate surpasses the standard earning rate; the Planning Commission will then, on the basis of the higher or lower fund generation rates and making an overall balance, give the priority order for the distribution of the 5-year plan funds.

2. Extra budget funds naturally will flow in the direction of good economic benefits as a whole. Projects supported by the availability of markets, raw materials, technology, and fund generation rates in excess of the standard earning rate can then be established.

3. Employment of the economic levers will have a scientific basis; bank credits and loans will also have relatively subjective standards.

4. If only the enterprises can use the results of the appraisal by means of this method, they will have no worry about suffering from administrative intervention. Only by so doing can the enterprises truly have decisionmaking power and vitality.

5. Subjects determined by subjective wishes will be greatly restricted.

6. The government may readjust the standard earning rate on the basis of the statistical conditions of the general investment scale. If the general investment scale tends to be overly large, the standard earning rate may be raised, thus making projects with relatively poor economic benefits unable to exist.

Many socialist states have displayed the phenomenon of the overexpansion of investment. This is principally due to the influence of the pattern of the Soviet economic structure. For a long time, the gross output value of industry and agriculture has been taken as the economic objective commodity production has been neglected, prices have been seriously twisted, and, on top of all this, there were the results due to using all along the capitalist "financial evaluation method." If we can swiftly establish the socialist economic benefit concept, rapidly and, in an all-round manner, promote the "economic evaluation method," then the problem of the overexpansion of investment and the many other problems can readily be solved. Naturally, this is not meant to infer that upon promotion of the "economic evaluation method" all the problems can ipso facto be solved. We have yet much work to do. For example, we must further develop the planned commodity market, improve and perfect the information and intelligence system, strengthen the comprehensive balance, augment financial management [word indistinct], and so on. We must also further strengthen ideological and political work. Certain necessary administrative intervention must also be contained.

The so-called "investment starvation malady" is not inherent in the socialist system. If we can truly grasp the special features of socialism and put the socialist strong points into full play, it can be entirely eradicated.

/9738
CSO: 4006/1271

NATIONAL FORUM OF CIVIL ENTERPRISES OPENS

OW140625 Beijing XINHUA Domestic Service in Chinese 1459 GMT 13 Aug 86

[Article by reporter Yang Like]

[Excerpts] Qingdao, 13 Aug (XINHUA)--A national forum of civil enterprises opened in Jiaonan County, Shandong, today. During the meeting, sponsored by the Propaganda Department of the CPC Central Committee, the State Economic Commission, and the All-China Federation of Trade Unions, the 100 or so representatives from 20 provinces, autonomous regions, and municipalities directly under the central government; 19 large and medium-size enterprises; ministries and commissions under the State Council, as well as authorities concerned will exchange experiences in building civil enterprises and explore ways to promote the on-going reforms while building civil enterprises.

Addressing the opening session today, Wang Daming, deputy head of the Propaganda Department of the CPC Central Committee, pointed out that, when economic construction is on the right track and material life has improved, people desire better production and living conditions, including a good living environment, good social conduct, and good services. These material and cultural needs of the people are also objective requirements for commodity economic development, he said.

Wang Daming said: Clear-cut guidelines are essential for promoting civility in the nation's more than 1 million enterprises. First, the promotional activities must be carried out in a way to facilitate economic construction and overall reform and the policy of opening to the outside world and enlivening the domestic economy. Second, they should keep up with the development of socialist commodity economy and help our enterprises become genuine and relatively independent commodity producers and marketeers. Third, we should heighten the workers' ideological and political consciousness, and help them become ethical, disciplined people who have lofty ideals and who are professionally more competent.

/9738
CSO: 4006/1272

ECONOMIC MANAGEMENT

DEPARTMENT STORE SERVES AS MODEL OF INITIATIVE SYSTEM

OW110624 Beijing XINHUA in English 0548 GMT 11 Aug 86

[Text] Beijing, 11 Aug (XINHUA)--The Tianqiao Department Store Co. Ltd., the first in Beijing allowed to issue stocks, is said to be showing how to reform China's state-owned commerce. While receiving XINHUA reporters, officials at the State Commission for Restructuring the Economy said that the way the company is being managed helps promote the development of the socialist commodity economy.

The company, which was formed by merging two department stores and a wholesale store, began selling stocks early last year. The operational funds and the fixed assets for the three automatically became the state investment, which now accounts for 50.97 percent of the shares, said a company spokesman. The other share owners are banks, which control 25.89 percent of the total; other enterprises, 19.68 percent; and individual citizens, 3.46 percent. A board of directors, which supervises the overall work of the company, independently makes decisions on the company's management, finance and employment.

This breaks away from the old system under which the management of a state-owned store could almost do nothing without permission from higher authorities, the spokesman said.

"Share holders are certainly concerned with the management and business operations of the company, now responsible for its own losses and profits," the spokesman said. Of the company's after-tax profits, he said, 40 percent is distributed to share owners as dividends, another 40 percent as development fund. The board of directors retains 12 percent of the profits for its own disposal and the rest, 8 percent, is used to cover labor insurance for the staff.

The initiative-based system is boosting business, the company's sales volume reaching 32.13 million yuan between July and December last year, up 35.4 percent over the same period a year ago.

/9738
CSO: 4020/417

FINANCE AND BANKING

CRITICAL FUND SHORTAGE PLAGUES HAINAN ISLAND

Hong Kong MING PAO in Chinese 9 May 86 p 5

[Article: "Hainan Island Owes 700 Million Yuan in Bank Loans"]

[Text] Excessive imports and the speculative trading of such supplies as automobiles have created for Hainan Island an ideological and an economic millstone and a worrisome appendage in that the import of supplies in a haphazard manner and the duplication of factory construction have created enterprises that cannot be kept in operation.

That was pointed out by Meng Qingping [1322 1987 1627] of the Hainan Administrative District in a special interview with a reporter recently in Haikou at which he frankly discussed the circumstances leading to the creation of such a situation.

One of the millstones, Meng Qingping said, was of an ideological nature. The exposure of the criminal case involving the trading of automobiles brought to light over 1,000 other large and small criminal cases, of which over 570 involving over 1,500 miscreants were investigated and prosecuted last year. Over 2,000 cadres were assigned to investigate and deal with the cases. That was why it had not been possible to assign many cadres, including some in key positions, to projects of economic construction. Although the central government has repeatedly stressed the need to investigate and settle the majority of the large and important cases. It will take time to rid ourselves of the ideological millstone and to clarify our thinking.

The other millstone is of an economic nature. As a result of the speculative trading in automobiles, Hainan is behind in the repayment of bank loans amounting to 410 million yuan. Although a subsidy of 150 million yuan was paid by the central government, Hainan still owns 260 million yuan in bank loans. At the end of last year, the total value of such imports as automobiles and electrical appliances which had piled up came to 970 million yuan, of which 440 million was in loans extended by banks. The two amounts of 440 million yuan and 410 million yuan add up to 850 million yuan in loans extended by banks. Subtracting the subsidy of 150 million paid by the central government, Hainan is still 700 million yuan in arrears. For that reason, the turnover of funds has been made extremely difficult. Consequently, the State Council has had to allocate to Hainan an additional loan of 200 million yuan to be used as circulating funds. Hainan Island is truly living from day to day with a heavy burden on its back.

As regards the worrisome appendage, Meng Qingping said that the import of commodities in a haphazard manner and the duplication in the construction of factories have rendered it impossible for many enterprises to continue operations. As a result of the shortage of foreign exchange for purchasing component parts, for instance, the 11 production lines for the manufacture of color television sets have been idled.

Meng Qingping pointed out, however, that following the investigation trips to Hainan made by such responsible leaders in the central government as Hu Yaobang and Zhao Ziyang, the spiritual outlook of the people of Hainan has undergone a pronounced change for the better and the sense of responsibility and dedication by cadres has been reinforced. The value of industrial production for the first quarter of this year has exceeded that for the same period last year by 9 percent. The agricultural production situation has also improved. The acreage for the planting of tropical cash crops has shown a sharp increase. By the end of April, for instance, the acreage for rubber plantation had increased to 4,653,100 mu.

The new director who succeeded Lei Yu [7191 1342] in Hainan stated with emphasis, "The mistake of speculative trading in such supplies as automobiles basically stems from the desire to make a 'killing' on the very first attempt. The lesson derived from the mistake of showing exclusive concern for the interests of Hainan over those of the entire nation is a bitter one. Greater difficulties in the economic development of Hainan will be encountered this year and the next. It is only by learning our lessons well, by proceeding from the actual circumstances prevailing in Hainan, by taking advantage of its assets and minimizing its shortcomings, and by planting our feet firmly on the ground that we can engage in the development and construction of the island and that we can look forward to small changes in 5 years, medium changes in 10, and vast changes by the end of the century."

In discussing the industrial and agricultural production situation in Hainan, Meng Qingping said, "The open door policy has speeded up the economic development of Hainan and brought profit and wealth to the island. Whereas the GVIAO of Hainan came to 1,923,000,000 yuan in 1980, it increased to 3,665,000,000 yuan in 1985 at the rapid annual progressive rate of 13.8 percent. In the past, the local enterprises within the budget of the Hainan Administrative District suffered losses every year. It was not until 1983 that losses began to be replaced by profits. In 1985, profits amounted to almost 21 million yuan. In 1980, the average annual income of the peasants came to only 139 yuan and that for staff workers only 699 yuan. By 1985, the average annual income of peasants had increased to 365 yuan, while that for staff workers had increased to 1,080 yuan. The livelihood of the ordinary people has shown a definite improvement."

9621/12859
CSO: 4006/1048

GOLD COMPANY OFFICIAL DISCUSSES MOVES TO CURB SMUGGLING

HK120252 Beijing CHINA DAILY in English 12 Aug 86 p 1

[Article by staff reporter Liu Dizhong]

[Text] China's gold production increased steadily over the first seven months of this year, coupled with a dramatic rise in retail sales of gold jewelry and smuggling of the precious metal.

Gold output rose 8.7 percent over the same period last year, hitting an all-time high for the corresponding periods over the past three decades.

An official of the China Gold Company attributed the increase to the nationwide gold rush which has boosted production since 1978, when collectives and individuals were given permission to mine gold.

The output target for this year is aiming for a 10 percent increase over the previous year, the official said.

Over the past seven months, the amount of gold produced by rural prospectors went up more than 11 percent. On average, they produced about half the nation's annual gold output.

At present, more than 180,000 former farmers are involved in the "gold rush." About half of them are individual panners and the rest are working in small gold mines owned by local governments and collectives.

The rush for gold has also led to serious levels of smuggling. "If the individual panners turn all their products over to the state, the nation's output will increase by an even bigger margin," the official said.

In the first six months of this year, for example, more than 60,000 individual prospectors in the northwestern Qinghai Province sold only 300 ounces of gold to the state.

The problem has been also serious in other gold-producing provinces, such as Guangdong, Ningxia and Inner Mongolia.

Various new measures will be introduced to strengthen control over individual panners along with a continuous crackdown on smugglers, the official said. They include expanding the gold buying network throughout the country and strengthening the supervision of the rural prospectors.

Also, the state is urging individuals to organize themselves and mine gold collectively, the official added.

The gap between the domestic and world prices of gold is also believed to have contributed to the smuggling problem. Last year, the state raised the purchase price from around 697 yuan an ounce to 895 yuan for gold sold by individual panners. The official admitted the purchase price was still low compared with world levels. Yesterday gold prices stood at 1,391 yuan ($376) an ounce on the New York Commodity Exchange.

The official said the state had no plans to narrow the gap, but added that the price would have to be readjusted in the future.

However, gold jewelry prices on the domestic market are higher than world levels. In China, gold products now sell for about 1,700 yuan an ounce. Retail sales of gold jewelry have been rising since the beginning of the year. Last year, the nation's total sales amounted to more than 2 billion yuan, a 14-fold increase over 1984.

Sales this year are expected to surpass that figure as gold jewelry is becoming more and more popular throughout the country, the official predicted.

There are more than 100 factories producing gold products in China. Their capqcity is expected to show a 20-fold increase over 1984, when there were only 15 factories across the country.

/9738
CSO: 4020/417

FINANCE AND BANKING

OFFICIAL DISCUSSES BANKING DRAFT AMENDMENTS

HK150258 Beijing CHINA DAILY in English 15 Aug 86 p 2

[Article by staff writer Lun Yongeng]

[Text] Qinhuangdao--The Bank of China has presented delegates attending a bank meeting here with draft amendments to the Interim Regulations on Loans to Sino-Foreign Joint Ventures.

At the meeting, an official from the bank's first credit department said that, because existing regulations were no longer suitable, the bank had decided to make amendments to guide its expanded lending operations.

He said that since the initial regulations were put into effect in 1981, the number of new businesses using foreign capital has increased drastically, creating new demands for bank's loans.

The original regulations which provided a legal guideline for the bank on loans to Sino-foreign joint ventures were considered to be outdated.

To keep in touch with new requirements, the bank decided to expand the coverage, and the title, of the regulations to Regulations on Loans to Businesses Involving Foreign Investment. The amendments are aimed at improving the bank's loan operations and the investment environment for foreign investors in China.

Central government policies and experience over the past five years were the basis for the draft amendments, the official said. The amendments proposed that the bank's present loan coverage be expanded to cover Sino-foreign equity and contractual joint ventures and solely-foreign owned businesses. However, he said his bank will give loan priority to export-oriented businesses to help them introduce advanced foreign technology and equipment.

The proposed categories of loans include fixed asset and circulating capital loans. The fixed-asset loans are aimed at construction, equipment purchases, new projects and the expansion of old businesses.

The circulating capital loans caters to the business need for a minimum amount of working capital within a certain period, or to temporary needs due to seasonal or other special variations. The bank will provide syndicated loans for special needs. It will pay loans in Renminbi, U.S. dollars, and West German deutsche marks and other currencies will be available if needed.

The draft amendment stipulates that the board of directors or the executive body of any legal group registered with the State Administration of Industry and Commerce and having accounts and the Bank of China can submit applications. The bank will then decide whether or not to grant a loan. The amendments also include strict clauses on loan guarantees.

/9738
CSO: 4020/417

FIRST SET OF REGULATIONS GOVERNING LEASING INDUSTRY

HK160532 Beijing CHINA DAILY in English 16 Jul 86 p 2

/Article by staff reporter Zu Ling/

/Text/ China is pooling expertise from major economic sectors as it prepares its first set of regulations to govern the country's burgeoning leasing industry, CHINA DAILY was told yesterday.

The 30-clause regulation, drafted last April, was recently submitted to the State Council's Economic Legislation Research Centre for deliberation and is expected to be put into effect this year.

The regulation, which will serve as a forerunner to formulation of the nation's first Leasing Law, comes at a time when leasing is gaining widespread acceptance as a mechanism for financing equipment needs in the country. Demand for such services is rapidly rising, said Xu Weirong, executive director of China Leasing Co., Ltd.

Under the auspices of the State Economic Commission, the regulation was drafted by the China International Trust and Investment Corp. (CITIC), to which the China Leasing Co. is affiliated.

"We have been seeking advice and suggestions from Customs, the Ministry of Foriegn Economic Relations and Trade, the People's Bank and the State Administration of Foreign Exchange," the 73-year-old Xu said.

The regulation, designed to advance development of the country's fledgling leasing industry, will cover administration of leasing organizations, specifications for their formation, and the rights and obligations of those engaged in the business.

"The regulation will ensure smooth progress in the leasing industry," Xu said. "Leasing was virtually unknown in China before 1980."

China's first modern leasing company--China Orient Leasing Co. Ltd.--was established in April 1981 as a Sino-Japanese joint venture. Three months later, the China Leasing Co. Ltd. was set up as a partnership between CITIC and the State Administration of Supplies.

Its shareholders include the ministries of light industry, electronics, chemical industry, water resources and electric power, as well as four major financial institutions.

Since 1981, new leasing companies, now totalling 40, have proliferated across the country. They include 13 Sino-foreign joint ventures and 27 state-owned leasing companies. To date, 1,100 leasing agreements have been signed, both in China and overseas, worth $800 million.

The state-owned China Leasing Co. Ltd., the country's largest, is reporting a huge growth in business this year.

It has signed or is close to signing leasing contracts worth $50 million in the first half of this year. Partners mainly come from Japan, the Federal Republic of Germany, the United States and Italy.

The leasing contracts will involve imports of production lines to turn out chocolate, video recorders, beer, paper, shoes and polyamide fibre.

China's ambitious modernization drive needs substantial imports of advanced equipment and technology to upgrade its factories.

At the moment, however, China is short of foreign currency. An increasing number of Chinese businesses are obtaining foreign equipment through leasing arrangements, Xu said.

"The present target for my leasing company," he said, "is to facilitate the technical renovation of thousands of small and medium-sized factories at provincial and municipal levels where equipment is largely obsolete and backward, resulting in poor competition on the world market," he said.

Many of these small plans have access to retained foreign exchange earnings sufficient enough to lease machinery and technology but not purchase it all at once, he said. Leasing, rather than purchasing, equipment would save money for the country and for industry.

Over the past few years, leasing has mainly focused on importing production lines for electronics and light and textile industries.

Xu noted that many small Chinese factories cannot secure a foreign exchange quota and have only renminbi on hand.

/12228
CSO: 4020/394

INDUSTRY

INDUSTRIAL ACCIDENT DEATH TOLL RISES

HK150853 Beijing CHINA DAILY in English 15 Jul 86 p 3

/Text/ Industrial accidents have killed 82 workers in Beijing this year so far, more than in the whole of 1985, BEIJING EVENING NEWS reported on Sunday.

The problem has been most serious at the Capital Iron and Steel Co. and Beijing Mining Administration Bureau. Since the beginning of this year, 8 workers have been killed in 6 industrial accidents at the iron and steel company, while the bureau has reported 11 deaths in 11 accidents.

At a municipal conference on safety at work at the weekend, Vice Mayor Zhang Jianmin called for more attention to safety precautions to stem the rising number of industrial casualties.

He said safety regulations should be strictly implemented by factory leaders with supervision by trade union safety inspectors to prevent more industrial and mining accidents.

According to sources at the All-China Federation of Trade Unions, the total industrial death toll for the whole country rose by nearly 8 percent last year. This was the first time the death toll had increased since 1979. From 1979 to 1984 it dropped by an annual average of 6.96 percent.

From January to July 1985, for instance, 18 cases of fire, explosion and gas poisoning were reported at chemical factories around the country. In each case no fewer than three workers were killed. And in a coal mining accident in Yizhang County, Hunan Province, at least 50 miners died after a pit gas explosion.

Prompted by the deteriorating situation, the state sent six safety inspection teams to 18 provinces, municipalities or autonomous regions in a nationwide safety campaign during April this year.

They found that the number of casualties in labour accidents had been high in the first quarter of this year because of poor production management and violations of industrial safety measures.

Although the state has set strict safety regulations concerning industrial production, many enterprises were only concerned with output and profits, failing to require their workshops to implement these regulations strictly, so long as the workshops fulfilled the contracted production quotas, the inspection teams found.

As 1986 was the 1st year of China's Seventh 5-Year Plan, the All-China Industrial Safety Commission headed by State Councillor Zhang Jinfu pledged earlier this year to make every effort to reverse the worsening trend by especially tightening up control of mine safety, traffic and fire hazards, toxic dusts and polluting fumes.

State supervision will be strengthened in the next 5 years when inspection teams from central departments will be sent out regularly to check safety measures at local enterprises around the country.

According to a XINHUA report, the situation is improving in the coal mining industry. In the first half of this year, the accident death rate per 1 million tons of coal output dropped by 24.5 percent, compared with the same period last year.

/12228
CSO: 4020/394

EFFORTS TO IMPROVE PACKAGING OF COMMODITIES

HK170944 Beijing CHINA DAILY in English 17 Jul 86 p 2

/Article by staff reporter Zhao Lijuan/

/Text/ China is putting renewed emphasis on improvement of packaging of commodities.

Starting this month, the state will strictly monitor restrictions against poorly wrapped goods, CHINA DAILY was told yesterday.

The State Economic Commission says that producers of commodities will be responsible for packaging and that poorly wrapped commodities will not be allowed to enter the market nor be exported.

That tough stance is part of a strategy to shed the backward image of China's packaging industry. Poor packaging causes estimated losses in the billions each year and inhibits the sale of many products, even those of fine quality.

A national inspection programme, aimed at improving the country's packaging industry, was launched in the second half of 1984. Heavy damage caused by poor packaging was greatly reduced because of the surveillance, an official from the China Pakcaging Technology Association told CHINA DAILY yesterday.

Last year, losses caused by poor packaging were reduced by 1 billion yuan, a 10 percent drop, he said.

This year, the country wants to increase that figure to 1.2 billion yuan. That can be achieved only if the industry improves transport, storage, loading and unloading, the official said.

Meanwhile, losses which amounted to the equivalent to 1.1 percent of the total industrial and agricultural output value in 1982 should be reduced to below 0.5 percent by 1990, he said.

To attain the goal, the industry will stress improving packaging of exports, foods, perishable commodities, and inflammable or explosive goods.

A packaging promotion group for export commodities was recently set up to supervise the quality of packaging and to increase China's competitiveness on international markets. The group is aiming to eliminate the reputation of Chinese goods as "first class quality, second class packaging and third class price."

The group is jointly organized by the state's Ministry of Foreign Economic Relations and Trade, the Bureau of Commodity Inspection, Standards Bureau, Ministry of Railways and the People's Insurance Co. of China.

The state is placing particular emphasis on improving packaging for nine commodities. They are cement, glass, chemical fertilizers, pesticides, procelain, bicycles, aquatic products, fresh fruit and fresh eggs.

Top quality packaging relies on advanced technology and scientific management. In the past 5 years, the state spent 100 million yuan introducing foreign technology. Local investment was even larger.

However, the official said, much of China's packaging industry still depends on such primitive materials as straw rope, gunny sacks and caste baskets. Modern materials, such as plastics and heavy-duty corrugated cardboard, still have to be imported.

Lack of uptodate materials is causing heavy losses in export goods. Last year, losses caused by poor packaging for exports amounted to about 50 percent of the total.

Another serious problem hindering progress in the industry is shortage of capital, the official said. All government departments should support the industry by preferential taxation and prices, greater investment in renovation and assurance of material supplies.

/12228
CSO: 4020/394

BRIEFS

SHANGHAI OIL TANKER LAUNCH--Shanghai, 28 Jul (XINHUA)--A 65,000-ton oil tanker built with a new technique was launched here today. Designed and built by the Shanghai Jiangnan Shipyard, which has a history of 121 years, the ship was built in two separate parts and then welded into one. The tanker, the largest of its kind ever launched in China, measures 231.2 meters long by 35.6 meters wide and 47.3 meters high, with a deadweight capacity of 65,593 tons. China launched its first 65,000-ton oil tanker in September 1984. It was built by Dalian Shipyard in northeast China's Liaoning Province. /Text/ /Beijing XINHUA in English 1209 GMT 28 Jul 86 OW/ 12228

CSO: 4020/394

SMALL-SCALE ENTERPRISES

STRENGTHENING QUALITY CONTROL OF TOWNSHIP ENTERPRISES URGED

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 12 Mar 86 p 3

[Article: "Opinions on Strengthening Product Quality Management Work in Township and Town Industries"]

[Text] NOTICE

To all provinces, autonomous regions, municipalities, planning units in urban people's governments, ministries under the State Council and organs under their jurisdiction:

Based on the spirit of instructions from leading comrades in the CPC Central Committee concerning "The Need To Focus on Product Quality in Township and Town Enterprises," the State Economic Commission, Ministry of Agriculture, Animal Husbandry, and Fishery and the State Industry and Commerce Administration studied and formulated these "Opinions on Strengthening Product Quality Management Work in Township and Town Industries." They have been approved in principle by the State Council and now are being issued for trial implementation. We ask that all of you inform us as soon as possible about the situation during trial implementation to allow their revision and perfection.

[Signed] The State Economic Commission, Ministry of Agriculture, Animal Husbandry, and Fishery and the State Industry and Commerce Administration
31 January 1986

Since the 3d Plenum of the 11th CPC Central Committee, China's township and town enterprises have undergone amazing development and a group of enterprises has appeared with good product quality, high economic results, and prestige in Chinese and foreign markets. They are making a contribution to sustained, coordinated, and stable development of the national economy. There are, however, enterprises that ignore product quality. Some lack the most basic conditions to guarantee quality and, therefore, cannot guarantee product quality, safety, or reliability. A few do shoddy work and use inferior materials, manufacture in a slipshod way, or even pass poor-quality products off as name-brand ones, or they may continue to make products that the state has ordered them to abandon. If we fail to deal with this situation seriously, we may shake the people's faith in industrial products and develop a serious social problem. For this reason, economic commissions at all levels, township and town enterprise administration departments, administrative management departments, industry and commerce administration organs, and quality supervision departments should strengthen management and supervision of the quality of township and town enterprise products to protect the interests of the state and vast numbers of users, to guarantee smooth progress in the socialist modernization drive, and to bring about stable and healthier development in township and town enterprise.

1. Development of township and town enterprises is essential to invigorate China's rural economy. There must be strict adherence to the principles of the CPC Central Committee concerning guidance in the development of township and town enterprises: "active support, rational planning, correct guidance, and stronger management." The decision to set up a township and town industrial enterprise of course must be based on real needs and situations, adaptation to local conditions, action in accordance with capabilities, stable progress, and less blind action. All township and town enterprises must do more to correct their administrative ideology, adhere earnestly to the principle of "quality is number one" and strive to improve management and administration, raise the quality of products, improve production technologies, raise economic results, and be concerned with preventing pollution of the environment.

2. Township and town enterprise administrative departments should establish quality management organs that will work in conjunction with industrial management departments and industry and commerce administration organs to strength management and supervision over product quality.

We should concentrate our forces and focus on industrial enterprises at the township (town) level and key village-run industrial enterprises. The focus should be placed on five items of work: a) with product quality as the core, make further improvements in economic responsibility systems. There should be clear stipulations regarding product quality in responsibility systems and strict systems of rewards and punishments. Plant managers (directors) should have full responsibility for product quality; b) each enterprise should establish quality-inspection organs or assign specialists under direct leadership of the plant manager (director) and formulate product quality-inspection systems; c) obtain the measurement and inspection equipment needed for product quality considerations, especially measurement devices used to control technical processes, and guarantee the accuracy, effectiveness, and correct utilization of measurement and inspection equipment; d) focus on technical training for all employees and improve the quality of employees; e) establish depreciation fund systems and gradually raise depreciation rates to accelerate equipment renewal and transformation. During the process of updating and transformation, special attention should be given to renewal and full outfitting of the measures needed for quality inspection. We call for gradual standardization of quality administration in township and town enterprises and for some enterprises to attain advanced levels in China.

The main concern in the industrial enterprises below the village level is to strengthen quality supervision and make sure that no "fake, fraudulent, poor-quality and bad" products and products the state has ordered stopped appear in the market.

3. Township and enterprises should organize production according to product technical standards and technical norms and on the basis of the principle of "five things not permitted:" a) substandard products should not leave the factory nor be included in output or value of output; b) substandard raw materials and parts cannot be used or assembled; c) products whose demise has been announced cannot be produced and sold; d) nothing can be produced if there are no product quality standards, quality-inspection organs or quality-inspection measures; e) there can be no deception, switching substandard products for good ones, fake labeling or fraudulent brands. There are "three things are not permitted" in township and town enterprises that we must be acutely concerned with at present: the first is not permitting substandard products to leave the factory, the second is not permitting the production and sale of products that have been eliminated, and the third is not permitting fraud. A system of guaranteed repair, replacement, and return should be implemented for products leaving the factory, and the products leaving the factory must display the factory name and location. Actual compensation should be made for the economic losses to users caused by substandard product quality.

4. The quality of township and town enterprise products that are organized by economic commissions and standards departments at all levels should implement joint supervision and management by administrative management departments and township and town enterprise administrative departments. Administrative management departments should inspect and supervise the quality of township and town enterprise products to change the old situation of the past in which they dealt only with the state-run sector and "large collectives" while ignoring township and town enterprises. The first step can be to begin with all products made by state-run industrial enterprises and township and town industrial enterprises. The organization of quality comparisons and inspections for an entire industry should include township and town industrial enterprises. All products for which production license systems have been implemented should be dealt with the uniformly in township and town enterprise. Administrative management departments should work jointly with township and town enterprise administrative departments for a combined focus on the issuance of production licenses. Production licenses should be issued as quickly as possible for products that conform to the stipulated quality standards. Enterprises that cannot meet quality standards should attain them in a limited period of time.

Supervisory product quality sampling done under state authority by quality supervision departments should include the products of township and town industrial enterprises. All levels of the government, township and town enterprise administrative departments, and industrial and commercial administrative management organs should be responsible for dealing with problems that appear during inspection.

5. Reorganize township and town industrial enterprises that make production materials and consumer goods urgently needed in markets. During 1986, we call on economic commissions in all areas to use township and town enterprise administrative departments as the focus for joint work with administrative management departments, industry and commerce administrative management organs, and quality-supervision departments to organize joint work groups to carry out strict one-time inspection and reorganization according to the "Food Product Public Health Law," "Medicine Management Law," "Measurement Law," the "Conditions for Safety Inspection of Boiler Pressure Vessels," Provisional Conditions for Production Licensing for Industrial Products," and so on, for township and town enterprises that produce important production materials and consumer goods urgently needed in the market, especially those that produce foodstuffs, medicines, electrical equipment, pressure vessels, measuring equipment, powered vehicles, and other things that concern personal health and safety. Any enterprises that do not meet state stipulations, do not have basic production conditions or lack quality-assurance conditions should be reorganized quickly. Any enterprises that are unable to produce goods that meet standards even after reorganization should be provided with guidance in shifting to another line of production.

In the future, industry and commerce administrative management organs should work in conjunction with township and town enterprise administrative departments to cary out strict examinations of new townshp and town industrial enterprises, especially those that set up processing enterprises, in accordance with state laws and regulations and local decisions. Approval for startup should involve strict checks and be given only to those that have the basic production and management conditions and conform to enterprises registration requirements. Product inspection and approval should be organized for new products and the first large batch of products produced by an enterprise and they should be permitted to go into production only when they are inspected and determined to meet specifications by township and town enterprise administrative departments in conjunction with administrative management departments. Production of products that have not undergone examination and approval or products that do not meet specifications should be prohibited and they should not be permitted to go on the market.

6. Develop comprehensive quality management and improve the level of modernized management in enterprises. Comprehensive quality management has become widespread in China's industrial enterprises over the past several years. It is a scientific method for improving levels of modernized management and also is adapted to township and town industrial enterprises. All regions should select township and town industrial enterprises. All regionns should select township and town industrial enterprises with rather good conditions for trials and gradual extension. The extension of comprehensive quality management should begin with a concern for real conditions in township and town enterprises. We should not act indiscriminately and must prevent formalism.

7. Strengthen guidance and support for township and town industrial enterprises in the area of product quality improvement. Economic

commissions in all areas and all relevant departments should make improvement of product quality in township and town industrial enterprises the order of the day in their departments. Besides carrying out inspection and supervision of product quality in these enterprises, they also should take the initiative to provide services to them, such as providing product technical standards and technical information, assisting enterprises in making diagnoses, taking on tasks for technical advice, measurement and inspection, and so on. Quality supervision departments at all levels should orient toward society and provide services to product quality inspection in township and town enterprises. Based on real needs, regions with the proper conditions should gradually establish county-level quality-inspection organs, and they can use existing enterprise inspection measures and gradually set up quality supervision and inspection networks to make local inspections of the quality of township and town enterprise products. Institutions of higher education, scientific research organs and large state-run industries should employ their own technical and manpower advantages to develop nonprofit technical services and, on the basis of voluntarism, and mutual benefit, assist township and town industrial enterprises to improve product design, update production techniques, renew technical equipment, and improvement management and administration.

In combination with better management of material trade fair centers, state unified raw materials and materials distribution departments should provide preferential treatment and special supplies of raw materials for the best products in the nation, in an industry or in a province, products related to personal safety and foreign exchange-earning export products to the township and town industrial enterprises that require them.

To change the situation of a lack of skilled personnel in township and town enterpries as quickly as possible, education and scientific research departments also should assist township and town enterprise management departments to focus on personnel training. Areas with the proper conditions can set up employee middle schools and middle vocational schools, and an appropriate number of college and polytechnical school graduates should be assisted to township and town enterprise administrative departments.

8. All areas should adhere to the spirit of these decisions and strengthen supervision and management of product quality in urban collective enterprises (including intellectual and youth centers, labor service companies, and so on that are located in jointly managed commercial enterprises, neighborhood enterprises, school-oriented factories and state-run enterprises).

12539/12781
CSO: 4006/950

RURAL INDUSTRIAL OUTPUT INCREASES BY 19 PERCENT

OW291713 Beijing XINHUA in English 1458 GMT 29 Jul 86

[Text] Beijing, July 29 (XINHUA)--The total first-half output value of China's rural industry topped 150 billion yuan this year, up 19 percent over 1985, a senior official said today.

Zhang Yi, deputy director of the administration of rural enterprises of the Ministry of Agriculture, Animal Husbandry and Fisheries, told a news briefing here rural enterprises have "made better use of local resources" this year as the central government has cut back loans.

According to ministry statistics, 69.8 million people--or 19 percent of the rural work force--work in the country's 12.22 million collective and private rural enterprises.

For all of 1985, their output value totaled 272.8 billion yuan--17 percent of the national output value. And they earned four billion dollars in export income for the country.

In these and other ways rural industry has become vital to China's economy, Zhang said. For example, he explained, the rural building materials industry produced 53 percent of the 52 billion yuan national total.

And, Zhang said, rural industry is "an important part of national economic development." He said rural coal mines accounted for 61 percent of the 230 million-ton increase in China's coal production between 1978 and 1985.

To enhance township exports, Fujian Province will host an exhibition in Beijing of products by rural enterprises from August 15 to 30, Zhang said. A national rural enterprises' export commodities fair will open in Beijing August 27.

/8309
CSO: 4020/407

SMALL-SCALE ENTERPRISES

INCREASED RURAL COMMODITY PRODUCTION CHANGES PATTERNS

OW290954 Beijing XINHUA in English 0733 GMT 29 Jul 86

[Text] Beijing, July 29 (XINHUA)--China's rural commodity production has brought a "historical change" to the relations between town and country, said an official of the rural industry administration today.

The old unitary pattern that the countryside exchanges farm produce for industrial goods from cities is longer true because urban-rural cooperation now involves an increasing number of state-owned, collective and private businesses. [sentence as received] A variety of urban-rural economic entities, development centers and production bases have become a new powerful factor in China's economy.

China has more than 12 million township-run enterprises with almost 70 million employees, covering 60 percent of the total employees of the country, the official said.

The output value of rural industry, building trade, transport businesses, and commerce reached more than 40 percent of the total value of the rural social product by the end of last year.

The peasants now go to cities not only to sell industrial and agricultural products but also open restaurants and hotels and invest in other fields. There are at least 10 million peasants now engaged in different businesses in the cities.

Free markets maintain close links between urban and rural consumers. Throughout the country, there are more than 61,000 such markets, 1,200 wholesale markets for agricultural and sideline products, and over 50,000 market towns, according to an official of the State Statistics Bureau.

Rapid development of the rural economy has reduced the distinction between town and country, the official said. By the end of 1985, the difference between the urban and rural consumer levels had been narrowed to "an all-time low" since the founding of the new China in 1949.

/8309
CSO: 4020/407

BRIEFS

JIANGSU FOREIGN EXCHANGE EARNINGS--Beijing, 15 Mar 86--In 1985, the Jiangsu Province's township and town enterprises provided the state with gross export earnings worth 600 million yuan and created foreign exchange earnings of $175 million, equal to 11.3 percent of total exports in Jiangsu and first place in China. Almost 1,000 township and town exterprises in Jiangsu have turned toward international markets and are exporting more than 700 commodities including canned foods, woven grass and reed articles, plastic bags, cotton cloth, clothing, leather products, metal tools, electronic components, household appliances, and so on that are being sold in over 90 countries and regions throughout the world. [Text] [Beijing NONGMIN RIBAO in Chinese 15 Mar 86 p 1] 12539/12781

CSO: 4006/950

SHANGHAI SPEEDS UP INFRASTRUCTURE CONSTRUCTION

OW190652 Beijing XINHUA in English 0621 GMT 19 Jul 86

/Article: "Shanghai Speeds Up Infrastructure Construction"/

/Text/ Shanghai, 19 Jul (XINHUA)--The 6 million urban dwellers in Shanghai, who for years had to drink poor-quality water from the city's major water source, the polluted Huangpu river, will have cleaner water in 1988.

Some 7,000 workers are building a canal to divert water from the unpolluted upper reaches of the river. When completed, the canal, the biggest municipal construction project in Shanghai since 1949, will supply 1 million cubic meters of clean drinking water a day.

A city official said that this is one of the 100 infrastructure projects being built in this leading industrial city in China.

"These involve transportation, energy development, public utilities, environmental protection and housing," he added.

When a new railway station opens in December 1986, express passenger train services will be available between Shanghai and all provincial and regional capitals in China, except Tibet's capital of Lhasa.

The station will be equipped with such facilities as a building with 11 waiting halls and seven 500-meter platforms.

The city authorities have decided to step up infrastructure construction over the next 5 years in an effort to improve living conditions for local residents and investment environment for overseas firms.

The money the city government spent on urban construction in the first half of this year was 86.8 percent more than during the same period of last year, the official said. He did not give specific figures.

The second tunnel beneath the Huangpu river will be completed next year, greatly easing strains on ferry ships for both motor vehicles and pedestrians The tunnel is 2,000 meters long, 7.5 meters wide and 4.5 meters high.

Meanwhile, 200,000 urban families will swap coal stoves for gas cookers by the end of next year, following completion of a huge gas works in the city's eastern district. The city authorities plan to supply gas to all the 800,000 households now still using coal stoves by the end of 1990.

Moreover, about 92,000 families are expected to move into new apartments with a total floor space of 4.6 million square meters by the end of this year, the official said.

/12228
CSO: 4020/394

RETAIL SALES BRISK DURING FIRST HALF OF 1986

Some Supplies Ample, Others Short

OW280714 Beijing XINHUA in English 0605 GMT 28 Jul 86

[Text] Beijing, July 28 (XINHUA)--China's markets have ample supplies of most commodities although some high quality products are scarce, particularly in rural areas, the ECONOMIC DAILY reported today.

The paper said the country's retail sales rose 11.8 percent in the first half of this year to 235.1 billion yuan (about 63.5 billion U.S. dollars), according to the State Statistics Bureau.

In real terms, the increase came to 5.9 percent--the lowest since 1981 for the January-June period.

The slower retail growth is in line with government plans to moderate increases in consumer demand to check shortages and inflation.

Still, first half food sales rose 11.8 percent in real terms, although grain sales dropped 14.6 percent. Sales of such non-staple food as edible oil, pork, sugar, eggs, vegetables and fish rose between 5.3 and 21 percent.

Purchases of clothing and textiles were up 4.3 percent. Sales of cotton cloth, cotton-polyester blended textiles and polyester fabrics fell between 12.7 and 14.2 percent, while purchases of ready-to-wear clothing increased 9.9 percent.

Meanwhile, sales of other consumer goods shot up 17.3 percent overall, ranging from 6.4 percent for cassette recorders to 50 percent for color televisions.

However, some quality goods are "in short supply, particularly in the countryside," the paper quoted the State Statistics Bureau as saying.

For example, such consumer durables as refrigerators and televisions and premium domestic cigarettes and liquor are now virtually unavailable in rural areas. In addition, such small products as ceramics, enamelware, glassware, nails and iron wire are scarce.

According to the paper, much of this scarcity is attributable to a 5.5 percent decline in rural supply and market cooperative purchases from state stores in the first half to 13.9 billion yuan (about 3.59 billion U.S. dollars).

Rural Sales Up

OW020814 Beijing XINHUA in English 0714 GMT 2 Aug 86

[Text] Beijing, August 2 (XINHUA)--The total volume of rural retail sales in the first half of this year was up 9.3 percent over that of same period of last year, according to Ministry of Commerce statistics.

The number of consumer goods increased nine percent and the agricultural means of production 10.6 percent.

Rural consumers now have different needs as the difference of their income increased over the past few years. In more developed areas, the demand for quality and expensive goods has become great. Goods which used to be unsalable in the countryside, including milk powder, tinned food, beer, and some light industrial goods have now found a large market in China's coastal provinces.

And richer peasant households are willing to spend their money on silk and wool materials, high-quality garments, leather shoes, cosmetics, electrical appliances and other expensive goods which were luxuries for them just a few years ago.

Electrical appliances, such as television sets, cassette recorders and washing machines, fell short of demand in richer areas. At the same time, peasants have become choosy in buying these goods.

Building materials sell well. At present, two-thirds of peasant families throughout the country have built new houses, and some of them in more economically developed areas want to expand or rebuild their houses.

Commercial officials said that it is urgent to increase supply of daily industrial goods for the countryside.

/8309
CSO: 4020/407

COORDINATION GROUP PREPARES FOR REJOINING GATT

HK051253 Hong Kong WEN WEI PO in Chinese 3 Aug 86 p 4

[Report by correspondent Cheng Hsiang [4453 5046]: "In Preparation for Rejoining the GATT, China Sets Up a Coordination Group Under the State Council"]

[Text] According to the Ministry of Foreign Economic Relations and Trade, the GATT preparatory committee for a new round of multilateral trade talks has decided to invite China to attend as an observer the ministerial conference of member-countries to be convened in Punta del Este in Uruguay in September. This will be the first time China will attend multilateral trade talks of the GATT.

It has also been learned that in order to hold negotiations on the restoration of China's membershp in GATT as early as possible, the State Council has set up a coordination group headed by State Councillor Zhang Jingfu with the help of the relevant responsible persons of the Ministry of Foreign Affairs, the Ministry of Foreign Economic Relations and Trade, the Ministry of Finance, the People's Bank of China, and the General Administration of Customs. It has been planned that China will present an official memorandum to member countries of GATT by the end of this year. The memorandum is being drawn up. China has employed several foreign experts as advisers and is striving to rejoin GATT within 3 years.

China believes that rejoining GATT has the following four advantages: 1) It will be accorded most-favored-nation treatment; 2) its export goods will be exempted from customs duties in overseas market; 3) it will not be easily accused of "dumping goods" by the developed countries; and 4) it will be more qualified to speak on some major world trade issues.

/7051
CSO: 4006/1257

INCREASED INDUSTRIAL TECHNOLOGY EXPORTS URGED

Tianjin JISHU SHICHANG BAO in Chinese 4 Mar 86 p 1

[Article: "Take Action To Expand Technology Exports; Open Up Foreign Technology Markets; A New Line of Work Is Underway; There Are Broad Prospects for Exporting Large Amounts of Industrial Technologies"]

[Text] Implementation of the Seventh 5-Year Plan during 1986 has permitted China to begin exporting technology. This is a new area of work and the relevant departments and units have explored ways to open up foreign technology markets and are preparing to formulate the appropriate measures and methods.

China has exported more than 30 lines of technology to foreign countries since 1980 and over the past few months alone has transferred Vitamin C ketone group [gulong] acid technology to the [Luoshi] Company in Switzerland, emulsified dynamite production technology to Sweden's Nobel Company and special Chinese character coding system technologies to Italy's [Haolihuode] Company. Adequate attention to technology exports, however, remains to be seen in all areas. There have been major improvements in scientific and technical standards in China over the past few years. More than 20,000 important scientific research achievements have been made and more than 1,000 projects have received major invention awards from the state. In 1985 alone, 1,700 S&T projects received national level scientific and technical progress awards. Moreover, many industrial technologies are attracting the attention of several nations, particularly in the Third World. The establishment of a patent system in China has encouraged the enthusiasm of the masses for invention and innovation. More than 9,000 patent applications had been submitted within China up the end of 1985, and they are an important source of technology exports. According to analysis done in the relevant quarters, China has major potential and broad prospects for technology exports. The focus of China's exports will be industrial technologies, and some laboratory technologies also should be exported selectively. There are abundant sources and mature conditions for industrial technologies and they also will encourage product exports. Some new scientific and technical achievements will be exported and it is expected that they will be rather attractive to the developed nations. Exports of these technologies, however, should be done with an eye to the development situation within China. In principle, any technology that can be developed and used to make products in China should be developed at home. For those which cannot be developed in China because of such things as investments, techniques, equipment and other reasons, we should encourage their export, but we also should pay attention to using contracts to protect the technologies in foreign countries.

All of the relevant departments now are engaged in study and discussion of such things as how to break into foreign technology markets, how to strengthen management of technology exports and other questions to formulate the appropriate policies and methods and to provide protection for exported technologies and encourage technology exports. The Ministry of Finance and the China Patent Bureau have joined forces to set up a Patent Fund to encourage units that own technologies to apply for foreign patents and provide a partial solution to technology exporting units with shortages of foreign exchange that cannot afford to apply for foreign patents.

12539/9190
CSO: 4008/2085

FOREIGN TRADE AND INVESTMENT

'MASSIVE' CURRENCY DEVALUATION ANALYZED

Duesseldorf HANDELSBLATT in German 9 Jul 86 p 7

[Article by Peter Seidlitz: "Beijing's Monetary Flexibility: Chinese Devaluation Could Be First Step to Liberalization"]

[Text] The quite massive devaluation of the Chinese currency should not be regarded solely as an attempt by the Beijing government to stimulate exports and thereby fill up its foreign exchange chests, but also as a sign that China would increasingly like to guide the country's economy by means of its exchange policy. Beijing's more flexible monetary policy, which has already produced a slow slide of the renminbi vis-a-vis hard Western currencies over the past 2 years, and has now given it another push with a 13.6 percent devaluation, is seen by observers of the Hong Kong financial market as a step toward an eventual total lifting of the country's exchange controls.

The Chinese currency is still far removed from its actual value, which can be measured on the black market. Before the devaluation over the weekened, the renminbi was traded on the black market at some 50 percent below the official rate. And this despite the fact that the Hong Kong dollar--which is in circulation as "currency," especially in southern China, and is completely accepted as a means of payment--is today worth almost twice as much as the 1983 official rate. In 1983 one could have gotten 27.185 yuan for 100 Hong Kong dollars at the bank; at the end of last year 37.52; before last Friday's devaluation 40.88; and today 47.34.

China wants to shut down the black market, which not only exists for currencies like the Hong Kong dollar, but above all trades in China's own "Foreign Exchanges Certificates" (FEC). This is the "intermediate currency," resembling Monopoly money, which tourists and businessmen receive in Beijing for dollars, francs, and marks, and with which they must pay their bills--and in which export and import transactions are settled.

China will shortly do away with the Foreign Exchange Certificates. Although no date has yet been announced, the coupon currency has really lost any financial policy purpose, and in fact is actually counterproductive, as it has become the "genuine" standard of value for the Chinese currency, while the national currency, the yuan, has been downgraded as the ruble has been in the Soviet Union.

The immediate goal of the devaluation was naturally an attempt to make China's export goods more competitive. What industrial or agricultural goods China has, however, are already ridiculously cheap. China will not be able to sell more industrial goods as long as the supply of goods does not improve. Fifty to 60 percent of all Chinese exports, moreover, are textiles and oil. An increase in oil exports, which stand at 210 million tons, is not foreseen, and significantly more textiles cannot be sold because of the quotas existing in the most important markets in Europe and the United States.

The devaluation will therefore have only minimal effects on Beijing's trade balance. Furthermore, even the import controls introduced by Beijing since the spring of 1985 have hardly had the desired effect, as imports in fact stood at $42.26 billion in 1985, after having been $26.75 billion in 1984 and $21.32 billion in 1983. The trade balance deficit, at over a billion dollars in 1984, amounted to $7.61 billion in 1985, according to information supplied by the Economics Ministry, and to as much as $14 billion according to customs statistics.

China is now trying to get control of the problem, not only through administrative controls on imports, but also through monetary and pricing policies. The deficit has, after all, forced Beijing to take up credit increasing on the Frankfurt and Tokyo financial markets and to draw on its reserves. China is therefore listening to the preachers in the IMF and the World Bank, who are recommending a flexible monetary policy as the remedy.

13070/6662
CSO: 4260/56

DIFFICULTIES IN FOREIGN EXCHANGE ACQUISITION

Duesseldorf HANDELSBLATT in German 10 Jul 86 p 10

[Article by Christoph Rabe: "Monetary Policy Alone Cannot Bring About Structural Change"]

[Text] China's strict anti-inflationary monetary policy, which is intended to bring about both a decrease in the loss of foreign currency as well as an increase in exports, will help to shrink the double-digit growth rates of the previous year to a "normal" ratio. Initial mid year indicators tend to show that Beijing is on course. Industrial production in the PRC during the first six months climbed only by 4.9 percent to 428.44 billion yuan renminbi (about DM285 billion). However, the picture is not totally rosy in Beijing. At the present time, the glaring foreign currency problems are being dealt with with half-hearted measures.

The industrial growth rate corresponds to the new margins for 1986 which were redefined by the government during the last quarter of the previous year. The rapid development in the first half of the previous year, when industry registered growth rates of much higher than 20 percent, had led to a massive outflow of foreign currency, since capital investments and imports of raw materials were carried out much too impulsively and in an uncoordinated manner.

China's balance of trade deficit fell last year to a record low, which the Ministry for Trade and customs authorities put at $7.6 billion and $14 billion respectively, with the difference due to varying accounting methods. However, the monetary restrictions and the new import controls are making life more difficult for foreign investors and importers of equipment that is urgently required for structural rehabilitation. This situation will not change much in the foreseeable future. Beijing will have to strictly observe the stipulation that all projects involving foreign participation must independently meet their foreign currency requirements by means of exports.

The ambitious development program imposed by the 7th Five Year Plan is based on substantial imports of capital goods, the cost of which is estimated at about $45 billion. If remaining foreign currency reserves, which are estimated at only about $10.3 billion, are depleted, this would inevitably lead to a revision of the entire mid-range development program. Last year, China's foreign currency cushion had already shrunk by 17 percent to $11.95 billion.

Impediment to Technology Transfer

The adjustment of the renminbi exchange rate last weekend--the domestic exchange rate was devalued by an average of more than 13 percent as compared with leading Western currencies--will not necessarily help to bring about a more rapid technology transfer. China's monetary guardians, however, are at the moment primarily interested in stretching the country's shrunken dollar reserves and eliminating obstacles to its export economy.

The Chinese export economy realizes its profits primarily from oil, textiles, mechanical engineering and most recently also from electronics. Whether or not the export economy can be cured in a lasting way with a monetary shot-in-the-arm is a question which for the time being must remain open. To be sure, the IMF will applaud a more flexible monetary policy. In the view of many observers, it is not so much the Chinese prices which act to curb the rather tenacious flow of exports.

The headaches are rather caused by inadequate product quality, the technological level, and the economic structure which increasingly lacks cohesion. It is not by chance that Chinese managers are continually admonished to improve quality standards for their products, including those intended for the domestic market. However, this also requires modern production facilities. And these are becoming more expensive. Nonetheless, the first priority of China's economic policy must continue to be economic change in industry and technology.

To a certain extent, the planners in Beijing are confronted with a dilemma. They know that industry cannot be modernized and the hoped-for structural revitalization of the export economy must remain wishful thinking without costly imports which tend to eat up foreign currency. The fact that oil exploration has not yet been entirely successful and that world market prices have fallen for oil products and other profitable trading commodities does not point to a stockpiling of foreign currency surpluses in the foreseeable future.

Adjusting the overvalued national currency can at best succeed as an interim measure. This devaluation will have no noticeable impact on the balance of trade, however. There is not yet any discussion of raising foreign indebtedness to more than 5 percent of the GNP in order to increase foreign currency holdings. Nor can a decision concerning the free convertibility of the renminbi be expected at this time.

Liberalization of the Price System is a Task for the Future

The first prerequisite for this would be a continued market-oriented adjustment of the price system and the elimination of the circulating second currency, the foreign exchange certificates. Here is where a decision must be made by means of which the future of the Chinese reform policy will be determined.

The fact that a recent decree that all credit decisions must be approved by the central government was shortly thereafter revoked indicates the extent to which Chinese planners are harassed by a shortage of capital. In order to better distribute the credit quota, the provinces were once again empowered to apply independently to foreign lenders.

In any case, Beijing must practice stricter control in import policy than is good for the reform policy. In 1986, imports are expected to drop by 15-20 percent as compared with the previous year. The internal Chinese debate concerning the way in which limited financial resources are to be distributed can also lead to a diminishment in foreign involvement in the special economic zones, since it is expected that Beijing will also have to offer more advantageous investment conditions in other areas of the country as well, in order to stimulate the inflow of capital.

This trend is already being felt in the special economic zones. As the WALL STREET JOURNAL has reported, Shenzhen, Zhuhai and Shantou have been inundated with a flood of cancellations in which projects costing as much as $650 million have been eliminated or postponed. In Shenzhen, the closest special zone to Hong Kong, the industrial growth rate shrunk during the first half of 1986 to a mere 1.9 percent.

The fact that foreign investors must exercise caution in view of the present bureaucratic framework conditions and the reservations with which the modernization course is presently being analyzed from the foreign perspective must give rise to serious reflection on the part of China's economic policy makers. After all, the planners in Beijing had based great hopes precisely on these investors--at least insofar as the foreign currency-saving initial financing of joint projects is concerned, which makes possible the sorely needed transfer of technology.

12792
CSO: 4620/58

YUAN GENG DISCUSSES CONDITIONS IN SHEKOU

Guangzhou KAIFANG [OPEN POLICY] in Chinese 8 Feb 1986 No 2 pp 9-11

[Article by Yuan Geng [5913 1649] Based on Comrade Yuan Geng's speech at the National Work Conference on Special Zones at the end of last year."

[Excerpt] Be Extra Careful in Capital Utilization, Stress Benefits and Do Not Rashly Expand the Scope of Capital Construction

These past few years we in Shekou have borne a heavy debt. For instance, we owe a large amount of money and the Central Committee has given us the right to $5 million which can be drawn upon once. However, at the same time we now have a heavy responsibility to bear. The State Planning Commission does not freely allocate funds for development and construction in Shekou. Our only source of revenue from the state is the profit from offices under the China Merchants Steam Navigation Ltd. which need not be handed over for 5 years. Eventually, however, they too must be returned. Besides recovered funds, the other major portion of investments comes from banks, chiefly loaned from Hong Kong banks. If these funds are used unwisely in Shekou, the China Merchants Steam Navigation Co. Ltd. and myself will be put on the spot and we will all be held legally responsible.

The kinds of sources of capital may determine enterprise activities. Since our development capital is not freely allocated by the state and both capital and interest are high, it is necessary to return the loan according to schedule. This makes us doubly anxious when spending the money. We do not dare to rashly expand the scope of capital construction and we must pay strict attention to economic results. At the same time, this forces us to implement a series of reforms, to adopt some policies, and to open up new paths for production and economic development.

Some comrades envy our right to draw on the $5 million once, however, to be honest, when we use this right we do not have "the air of a man of fortitude and courage" who "throws away money like dirt without batting an eyelid." On the contrary, we do so cautiously and with great care. Studies on the feasibility, economic results, and solvency of some larger projects often make us so anxious it is hard for us to sleep through the night. At times we even wake up with a start in the middle of the night, covered in cold sweat. This is no exaggeration, it is fact.

Our industrial district is a small one. Prior to opening up, Comrades Xian Nian [0341 1819] and Gu Mu [6253 3668] were very generous. They wanted to include all of Nantou Peninsula but we only asked for 1 square km from Guangdong. After 6 years we have now opened up and developed 4.5 square km. Some newly arrived comrades have complained to us: Why didn't we ask for several tens of square km and draw up a great and magnificant plan? To be honest, this is not a question of what we would or would not like but rather a question of what we do or do not dare to ask for.

As we all know, total investments for developing 1 square km of uncultivated desert are close to 100 million yuan. Statistics on Hong Kong recently released by the Hong Kong Territory Commission of the Chinese-British Liaison Group show that it costs, HK $1.4 billion to develop a square km. Relatively speaking, it is still very cheap for us to construct piers and ports. Even if we calculate an investment of 1 million yuan per square km, if we begin by developing several tens of km, who is going to repay this debt of several billion yuan? After several years, the amount of capital recovered by the state in Shekou Industrial District already amounts to more than two-thirds of the total investment and the result is a new type of industrial port city. If we were to expand the scope of development today, we certainly would not get such fine economic results. We must develop and operate the industrial district using various kinds of enterprises to invest, build, recover investments, and reinvest. In general, we can only have a long-range course of action and overall plans. On the surface, our aspirations may not seem very grand but we are quite practical. We wish to avoid the risks of overinvesting, too long a cycle, and too large a scope.

Reforms Are Compulsory, for Without Them Productivity Will Be Low and We Cannot Be Competitive and Grow

Over the past few years we have implemented reforms in project construction, in the management system, in the cadre system, in the labor personnel system and in housing. This has included the elimination of the wage system and the administrative grade system originating in the interior. We did not carry out these reforms because comrades in our industrial district are particularly brilliant, far-sighted, or bold and resolute. To put it bluntly, we were forced to implement these reforms by the form of our sources of capital and our economic status. If we do not implement reforms we will not have high productivity nor will we be able to pay off our debts; if we cannot pay off debts, the industrial district will face competition from the international market and we will find it difficult to survive. At that time, who would take in the several tens of thousands of people who depend on capital to enjoy peace and stability? Isn't this being irresponsible?

For instance, from the start the money we used for construction was borrowed from Hong Kong banks and with every passing minute it is necessary to compute interest. How could we adopt that method used in the interior where the administrative system appoints a construction crew which loafs on the job when there is a designated construction period? This has led to the reform of inviting bidding in construction work.

Another example is our management system. It has not adopted the method of corresponding higher and lower authorities in larger numbers of bureaus and division-level units. The city has given us a personnel table of organization. We can add personnel whenever we wish; however, when we balance our accounts, for every person added, the industrial district must put in more than 20,000 yuan of capital. According to the standard in Hong Kong, interest on this sum is over 200 yuan per month. In addition, there are the wages and the welfare fund for this individual. One person costs over 500 yuan per month. This is much more expensive than the cost of hiring a worker in the interior. Staff and workers in the interior are supported by the state whereas the entire welfare of staff and workers in Shekou is the responsibility of one enterprise. This forces us to strictly control the scope of the management system and population growth in the industrial district.

A further example is our housing. Housing is also built with credit. A house consists of 80 square meters. Not counting the building and development fee for the small district, 20,000 yuan are required. The monthly interest on this sum is over 200 yuan. If we also implement the low-rent policy of the interior there would not even be enough to pay house-maintenance costs not to mention repaying capital with interest. For this reason, the current rent for housing has been increased to between .80 and 1.20 yuan per square meter. Later on it will be necessary to gradually increase rent along with increases in labor productivity and wages. Eventually, rent will be sufficient to repay capital with interest and housing will then truly be a commodity.

Give Preferential Consideration to the Long-Term and Overall Interests of the State During Business and Policymaking; Implement the Directive of the "Five Import Taboos" and the "Three Priorities"

One factor determining the direction of development and enterprise activities in Shekou Industrial District is the source of capital. Another important factor is the fact that our China Merchants Steam Navigation Co. Ltd. is a state-run enterprise stationed abroad. When it is transacting business and making policies, it must not only consider the interests of the enterprise and workers but it must also give preferential consideration to the long-term and overall interests of the state.

We all stress economic results, however, seeking economic results in a state-run enterprise is not the most important principle in that enterprise nor is it the only principle. There are those who say that I once said: "I am unsympathetic and cold and heartless to all relatives and friends." They have also said that I value money more than life in reference to my slogan 'Time is money and efficiency is life." I would like to cautiously declare at this point that what I said was that economic laws are heartless add that violators should be punished. We have consistently believed that the microeconomic benefits of enterprises must be subordinate to the macroeconomic benefits of the state. We oppose eating out of the big pot, but that does not mean we oppose the system of public ownership itself. We hope that through reform we can destroy the big pot and thereby fully develop the initiative of enterprises and individuals and obtain better economic and social benefits. At the same time, we hope we can defend and more thoroughly develop the superiority of the system of public ownership.

Proceeding from this fundamental principle, we have successively proposed the guidelines of the "five import taboos" and the "three priorities."

The five import taboos refer to the following: We do not import industries that engage in the processing of imported materials, that engage in compensation trade, that compete for national export quotas, that create unmanageable pollution, and that import obsolete technology. We must defend our long-range interests in this district as well as the overall interests of the state. We must not change Shekou into a receiving station for "Western industries" or "garbage industries" nor must we squeeze out our country from the already established foreign market.

Why is it necessary to give priority to industry? Actually, this is a question that forms the basis of production industries. The most basic social practice in the history of mankind is production. Without production, there is no distribution, exchange, or consumption. This means we would not have commerce, service industries, tourism or what we are currently focusing on--an information industry society. The basis of tertiary industries are primary and secondary industries. We hope to import good production equipment and consumer products from abroad but if we do not engage in production ourselves nor have our own exports and merely rely on revenue from tourism and real estate, then it will be very difficult to make payments of foreign exchange for purchases. Consequently, only by persistently emphasizing industry can we gradually lay a lasting foundation in society. On this point our interests and the interests of the state are completely in accord.

Why should we give priority to foreign capital enterprises (joint venture enterprises and sole proprietorship enterprises)? This question is related to why we have special zones. The common goal throughout the world for having special zones in developing countries is to bring in foreign capital, technology, and management experience so as to counteract domestic weaknesses. The implementation of preferential policies is also directed at foreign capital enterprises. We do not oppose special zones having more joint investment exporting enterprises that cooperate with the interior during the current early stages. However, if things continue like this and cooperating enterprises, domestic capital enterprises, or foreign capital enterprises do not emerge or very few are put into operation, then there will be no great differences between export bases in special zones or in other areas.

Among all products, why should priority be given to exports? This question has to do with tapping the international market and trying to obtain foreign exchange. In the long-term China must gradually enter the world market. In this respect special zones are the vanguard in exploring the way. If priority is not given to selling special zone porducts abroad but rather to importing foreign spare parts which are resold on the domestic market after being assembled, then there is not much difference between these products and assembled imports. This still requires foreign exchange from the consumer country. The difficult problem of an imbalance of foreign exchange may then occur in the special zones. Of course, as we clearly know, competition in the present world market is extremely fierce. Our special zones have just gotten underway so it is not easy for special zone products to break into the world market. Thus, it is still necessary to give a helping hand to enterprises that can replace imports, that have advanced technology and that have run into difficulties in the early stages of handling exports yet have long-term potential. We must give them access to some domestic markets. This does not contradict giving priority to special zone exports and it does correspond to the overall and long-range interests of the state.

How should special zones be run in the future? First, they must rely on the policies of the Central Committee and the support of all departments in the central government. Second, we must make every effort. Central Committee policies concerning special zones are clear and resolute. The various departments in the central government have already adopted and are in the process of adopting measures to implement the policies of the Central Committee and support special zone construction. As for the special zones, first we must muster all our heroic courage, cut back on capital construction, particularly nonproductive capital construction, slow down the pace of growth, strive to develop industrial production and improve the exchange-earning capacity of exports. Second, we must dare to tear down temples and remove Buddha idols, reform laws that do not conform to the economy, hand over rights and responsibilities for procedures and organizational structures that produce no economic benefits to enterprises so as to increase enterprise vitality. At the same time, we must truly improve legal supervision of cadres, supervision of finances and taxation, and supervision of party and political discipline. Third, we must prudently deal with the issue of wages and welfare. It is necessary to avoid an excessively rapid increase in wages and crippling the competitive ability of special zones in the world market. Fourth, we must praise the good and avoid pitfalls, fully develop our superiority and integrate imported capital, technology, and management knowledge with our rich human and natural resources. We must earnestly work on building up medium and small industries which have an exchange earning capacity and not seek production industries which are too large in scope or have too high a level of technology. Fifth, the future of the special zones is determined by men of ability. According to the four modernizations for cadres, we should first focus on the requirement to make the ranks of cadres more revolutionary. We must strive to train a group of cadres who can struggle hard on behalf of the special zones, be honest in performing their official duties, and be capable of managing an export-oriented economy. Recently some comrades among us proposed that the government emphasize democracy, the economy emphasize results and cadres emphasize honesty. This is a fine slogan. At the same time, we must resolutely control population growth so as to lighten the heavy burden to society.

I feel that despite the difficulties confronting the special zones, under the unified command of the CPC Central Committee and the State Council, the special zones and all the people throughout the nation can rally together and overcome difficulties, greet the future and welcome the challenge! No difficulty can stand in the way of our progress.

9864/9190
CSO: 4006/1021

POPULATION

NEED FOR MINORITY NATIONALITIES TO IMPLEMENT FAMILY PLANNING

Urumqi XINJIANG RIBAO in Chinese 7 Mar 86 p 4

[Article by Liu Yongqian [049 3057 6197]: "Minority Nationalities Also Should Practice Family Planning"]

[Text] The practice of family planning is a basic national policy included in the Chinese constitution. Article 25 of the constitution states that "the state implements family planning to adapt population growth to economic and social development plans" and Article 49 states that "both husband and wife have a duty to practice family planning." These stipulations apply both to the Han nationality and to minority nationalities as well. Regarding this question, the CPC Central Committee and State Council pointed out clearly in their "Instructions on Doing Better Family Planning Work" on 9 Feb 1982 that "minority nationalities also should be encouraged to practice family planning, but the requirements may be somewhat less stringent." According to the principles specified in the constitution, the instructions of central authorities and integration with real conditions in Xinjiang, the "Third Plenum of the Standing Committee of the Sixth Xinjiang Autonomous Region's People's Congress passed a decision stipulating that "minority nationalities also should practice family planning, but we must strengthen propaganda and education and take action to create the conditions for gradual implementation."

The purpose of family planning is to control population growth in a planned manner to coordinate population growth with development of the national economy. This is a major question that concerns the prosperity of the Chinese nationality and also is in the basic interests of the people of all nationalities in China. Family planning not only can substantially raise the survival rate of infants and greatly improve the health standards of children and mothers but it also can greatly reduce the living burden on families and improve the material culture and lives of the people, which in turn will be of major benefit for the entire nationality, autonomous region, and nation. For this reason, those who truly love their own nationality will acknowledge the necessity of family planning and implement family planning policies.

China's population has grown very quickly since liberation, and the population of minority nationalities has grown even quicker. The total population of minority nationalities in China in 1964 was more than 39.92 million persons and had grown to more than 67.23 million by 1982, up 68.4 percent over 18 years.

The Han nationality grew 43.8 percent over the same period, so the growth rate of the minority nationality population was 24.6 percent higher than for the Han nationality population.

Minority nationalities have developed and improved in all areas since the birth of New China, but improvements in cultural and educational levels and the people's lives have been limited. In searching for the reasons, besides the developmental imbalances between all nationalities that were historical vestiges, it must also be said that rapid growth of nationality populations, many children, and heavy living burdens are another important reason. For this reason, despite the fact that the party and state have made great efforts to assist and support minority nationalities through such means as the three subsidy items allocated each year (special funds for minority nationality regions) and so on, per capita incomes remain low. This shows that the population law of socialism (planned control of population growth) places restrictions on all nationalities.

At the Kashi Cotton Textile Mill, for example, there were no differences between the focus of production, working conditions, living environment, and wage incomes of workers of the Han nationality in the plant who entered the factory during the same period of time in comparison with young minority nationality men and women who entered the plant at the same age. Some consideration was always given to minority nationality workers at the same technical levels when readjusting wages, so there were no major differentials in gross economic incomes. Nevertheless, differences in the number of children created obvious differences in per capita incomes for the different nationalities, and there also were differences in living standards, school attendance, family purchasing power, and housing conditions. The mill has 2,570 workers of the Han nationality and 1,740 from minority nationalities. Our survey research indicates that a larger proportion of minority nationalities have per capita incomes of less than 300 yuan and that the Han nationality accounts for ever-larger proportions of those with per capita incomes in excess of 300 yuan. This is especially true of those with per capita incomes greater than 600 yuan, where the Han nationality accounts for a very large proportion and minority nationalities for a very small one. What is the reason behind this phenomenon? We did a sample population survey of minority nationality households. The results were that each Han nationality family averaged 4.2 persons while each minority nationality family had an average of 6 persons, or 1.8 persons more than Han nationality families. According to estimates made over several previous years, raising a child to the age of 16 requires an average of 1,600 yuan in rural areas, 4,800 yuan in towns and 6,900 yuan in cities. Kashi is considered a town, so raising 1.8 more children requires an additional 8,640 yuan or an additional cost in excess of 540 yuan per year. This naturally causes the per capita incomes of minority nationality workers to be less than those of Han nationality workers.

If we look at the relationship between population and education, a family with a limited income means that having more children inevitably leads to a reduction in per capita incomes, heavier burdens on the family, increased household labor, and lower school enrollments and promotions, especially in opportunities and conditions for entering college. In the opposite case, there would be increased opportunities and conditions for enrollment and promotion in school. Statistics from a survey of school enrollment and promotion for male and female employees of the Kashi Cotton Textile Mill indicate that 41.1 percent of the children of minority nationality workers attended elementary school, 33.1 percent attended lower middle school, 6.9 percent attended upper middle and polytechnical schools, and 0.5 percent attended colleges and universities. For Han nationality employees, 33.3 percent of their children attended elementary school, 36.3 percent attended lower middle school, 15.7 percent attended upper middle and polytechnical schools, and 1.6 percent attended colleges and universities. This comparison shows that the percentage of minority nationality students is larger than that of Han nationality students in elementary school, but the number that enter lower middle school is less than the Han nationality, while the number that go on to upper middle schools and colleges is only about one-half that of the Han nationality.

We also can discuss the relationship between population and consumption levels. The basic goal of socialist production is to satisfy to the greatest possible extent the ever-increasing material and cultural needs of society and the masses. The superiority of the socialist system is manifested in improvement of the material and cultural living standards of the masses. Of course, if we wish to raise the material and cultural living standards of the people, the most basic thing is to rely on the development of production. Still, living standards are strongly related to population. If a population grows too quickly, it will affect improvements in the consumption levels of the people. We can use the Kashi Cotton Textile Mill as an example again. It has minority and Han nationality nurseries. During the 18-year period between 1965 and 1983, the total number of children entering the nursery was 5,387 for the Han nationality and 178 for minority nationalities. This means that during this period each 100 Han nationality families had 500 people entering the nursery while each 100 minority nationality families had only 35 children who entered the nursery. The number of Han nationality children was 16-fold greater than minority nationality children. There was a mess for children aged 4 to 6 preschool nursery classes. Only 12 children of the Han nationality did not eat there regularly, while 59 minority nationality children did not eat there regularly, so only one-fifth as many minority nationality children participated as did Han nationality children. There are two minority nationality and Han nationality cafeterias in the mill's production region and residential areas. The number of minority nationality people who ate in the cafeterias each month totalled 450, equal to 17.33 percent of the total minority nationality population of the factory region as a whole. The number of Han nationality people eating in the cafeteria was 2,680, equal to 64.66 percent of the total Han nationality population of the factory, so the figure for the Han nationality is nearly four-fold as great as that for minority nationalities. On the average, Han nationality employees at the factory have one newspaper subscription for every 3.6 people and one magazine subscription for every 0.77 people. The figures for minority nationality employees are one newspaper subscription for every 20.8 people and one magazine subscription for every 18.4 people. These differences show that minority nationality families originally should have placed their children in nurseries so that they could receive an enlightened education in collectivism and culture. Because they have more children and poor economic conditions, however, they are restricted. Similarly, children who formerly ate at the school mess do not eat there so that they can save a little money. The number of minority nationality employees eating in the cafeterias is much smaller because of the need to reduce expenses. There also are very large differences in the number who spend their own money to subscribe to newspapers and magazines, which is a clear reflection of the relationship between population and living standards.

According to a survey of Urumqi, 54 percent of minority nationality women of childbearing age took the initiative to adopt family planning measures in 1985. There were also many who volumtarily adopted family planning measures in prefectures throughout the rest of Xinjiang. The burden of household labor and many children among some women in agro-pastoral regions has caused them to urgently desire fewer children. The facts show that minority nationality people, especially employees, are gradually coming to realize the benefits and importance of family planning. We carried out an anonymous questionaire survey of the ideology, work, ideals, and so on of 309 members of the CYL of the Uigur nationality in several factories in Kashi and Yili. In response to the question: "Do you feel that it is best to have several children," four, or 1.29 percent, felt that 1 child was best, 100, or 32.36 percent, felt that 2 children was best, 112, or 36.25 percent, felt that 3 children was best and 89, or 28.8 percent, felt that more children meant more wealth. Four people, or 1.29 percent, did not want children. This shows that Uigur youth are coming to realize the current situation internationally and in China and are gradually establishing a concept of family planning.

To eliminate the historical vestiges of developmental imbalances among minority nationalities and bring about rapid prosperity and development among minority nationalities, the CPC has proposed the use of family planning to control the population to allow the planned and proportional development of the production of material goods and the production of population itself during China's socialist modernization drive. The prosperity or decline of a nationality is not determined entirely by the size of its population but is manifested even more importantly in the quality of the nationality and in its spiritual civilization and degree of economic, cultural, scientific, and technical development. The Han nationality is the largest in the world but it was poor and backward under the corrupt system of old China and was insulted as the "sick old man of east Asia." It was a large nationality of poor quality that suffered from humiliating invasions from outside and the suffering of poverty and hunger from within, so what good is a large population alone? It can only mean that the heavy millstone of population must be borne throughout a life of poverty and misery. In contrast, there are some nationalities, such as the English, German, American, French, and other nationalities, with rather small populations of high quality whose high degree of economic, cultural, and scientific development have made them the developed nationalities of the world. Some people worry that calling on minority nationalities to practice family planning would limit growth of minority nationalities. There is no basis for this fear. If the minority nationality population of Xinjiang were to produce an average of 2.5 children per couple in cities and 3.5 children per couple in rural areas, the minority nationality population of Xinjiang would surpass 11.4 million in the year 2000 (it was over 8 million in 1984). For this reason, there is no basis for the fear that there will be a reduction in minority nationality populations after they begin practicing family planning.

12539/12851
CSO: 4006/1000

STRUCTURAL CHANGES IN URBAN FAMILY ECONOMY

Beijing OUTLOOK WEEKLY [Overseas Edition] in Chinese Vol 15, 14 Apr 86 pp 10, 11

[Article by Gu Baiqi [7357 0130 0366]: "Economic and Structural Changes Among China's Urban Families"]

[Text] Some 200 million of China's 1 billion people live in cities. What is their living situation:

Beginning in 1985, the State Statistical Bureau began using random samples from across China to survey 106 large, medium, and small cities. These included 20 huge cities with a nonagricultural population of more than 1 million, such as Beijing, Tianjin, Shanghai, Xi'an, Lanzhou, Changchun, and others; 22 large cities with populations between 500,000 and 1 million, such as Shijiazhuang, Hegang, Wuxi, and Urumqi; 35 medium-sized cities with populations between 200,000 and 500,000, such as Qinhuangdao, Anqing, Zunyi, Yinchuan, and so on; and 29 cities with populations of less than 200,000 such as Yuncheng, Haikou, Golmud, and so on. The survey covered nearly 17,000 families.

The survey indicates that rather substantial changes have occurred in the living situations of families residing in Chinese cities.

Families are Decreasing in Size, Small Families Are Replacing Large Multi-generational Families Living Together

Control of population growth and implementation of family planning has led to basic control of the rate of growth in China's urban population and family size now is shrinking. Here are some records from data over the years:

Table 1. Average Number of People Per Family

	Year				
	1958	1964	1978	1981	1985
Number of People	4.45	5.30	4.44	4.24	3.81

If we look horizontally at the size of the population of urban families in large, medium, and small cities, data from the 1985 national survey indicate that the population in each family averaged 3.68 in major cities, 3.85 in large and medium cities, and 4.03 in small cities. The development of the economy, science, and culture have brought about changes in the people's living patterns which in turn have engendered changes in family structure. Small two-generation families are in the process of replacing multigenerational coresident families of direct relatives, and large families including many generations are breaking up. Survey data over the past several years indicate that the proportion of all families made up by families composed of 2 to 3 people rose from 31.49 percent in 1983 to 35.95 percent in 1984. This seems to be a developmental trend.

Greater Monetary Incomes Strengthen Spending Capacity

In the realm of social distribution, people often use monetary income as a measure of the degree of wealth in a small family. In recent years, China has implemented a policy of "economic invigoration inside China, opening up to the outside world," which has brought about the coexistence of many economic components while the individual economy has developed and opened up routes to employment. In 1964 each working person had to support 3.4 people (including himself) while today each working person must support only 1.7 people. This has led to a corresponding increase in per capita monetary incomes for members of urban families. The per capita income used for household expenses in urban families increased from 227 yuan in 1964 to 752 yuan in 1985 a 2.3-fold increase. The figure in 1985 was 71.3 percent higher than in 1980. If we exclude inflation, the real annual incomes of urban residents reached 731 yuan in 1985, up by 511 yuan over the 1964 figure of 220 yuan, a 2.3-fold increase. The increase was 319 yuan, or 77.4 percent, over 1980, and was 171 yuan, or 30.6 percent, higher than in 1984. If we deduct the effects of inflation on prices, the real increase would be 16.9 percent. These figures show that the rate of growth in consumption as measured by total consumption among people in China's cities is unprecedented in the history of our nation.

The Amount of Nondurable Consumer Goods Is Rising

Rising incomes among urban residents over the past few years have increased the amount of top-shelf nondurable consumer goods purchased. Commercialization of residences has not spread to most cities, so families continue to favor purchases of "major items" (televisions, refrigerators, radios and cassette players, washers, motorbikes, and so on). Besides some bank savings, most families residing in urban areas are actively raising capital in preparation for buying top-shelf clothing and housefold articles as well as middle- and top-shelf household appliances. According to a survey made in 1985, each 100 families in China's cities had the following property:

32 Fur overcoats
96 Blankets
106 Dressers
137 Armchairs
4 Suites of furniture
7 Sofa beds

75 Electric fans
53 Washers
18 Color televisions
73 Black-and-white televisions
21 Stereo recorders
10 Cameras

Many urban families have begun buying pianos, guitars, and other middle- and top-shelf instruments to train their children's versatility, and video recorders also are beginning to enter urban homes. It is obvious that people in China's cities today have entered a higher realm of consumption.

Changes Are Occurring in Consumption Structures

Before 1978, most of the economic income of common urban families was used to buy food, with about one-fifth of per capita yearly expenses going for consumption of stable foods (grains). Data from the 1985 survey of families in 106 cities shows that expenditures per resident on food for the year reached 390 yuan, by 66 yuan, or 30.9 percent, over 1984. Of this amount, expenditures on nonstaple foods, tobacco, liquor, and tea increased 25 percent between 1984 and 1985. The proportion of total income used for living expenses dropped from 11.3 percent in 1984 to 8.7 percent in 1985. In 1985, if we subtract price factors, the ratio between staple and nonstaple foods was 1 to 3.4. More and more people are becoming concerned with the nutritional value of foods and are demanding sensible and tasty foods.

There was an increase in 1985 in per capita consumption of pork, fresh eggs, and poultry compared with previous years. Consumption of all types of liquor is also rising. Per capita consumption of fresh eggs rose from 5.2 kg in 1984 to 6.4 kg in 1985. Food consumption as a proportion of total living expenditures among China's urban residents had been fluctuating around 58 percent but dropped to 53 percent in 1985.

Roughly one-half of people's living expenditures over the past several years has been used in other realms of consumption. In 1985, consumption of household articles and of cultural and leisure goods rose from 9.1 and 4.4 percent of total living expenditures, respectively, in 1984 to 11.1 and 7.6 percent, respectively, in 1985. There was a 61-percent increase in consumption of household articles by urban residents compared with 1984, with each 100 households adding 13.5 electric fans, 12.3 washers, 5.2 refrigerators, 8.5 televisions, 9.9 recorders, and other household items.

Clothing Is Moving in the Direction of High Quality, Variety and Finished Products

Besides food and goods of daily use, urban residents also have higher demands for clothing. Data from the 1985 survey of urban residents show that yearly monetary expenses for clothing among urban residents averaged 112 yuan, up 29 percent over 1984.

The pace of change in clothing is also faster. The color and texture of clothing are becoming major concerns. More and more people are paying attention to clothing styles. The most popular types of clothing at present include jackets, jogging outfits, suits, windbreakers, down garments, and so on. Surveys indicate that the largest clothing stores in major cities handled over 1,000 types of clothing of various designs in the past and that this figure now has grown to more than 2,000 types. The diversification of clothing colors, textures, and styles also had led to diversification in textiles. Surveys show that more than 100 types of textiles of different qualities and weaves are being sold on today's markets, an increase of severalfold over the past.

Today's urban residents, especially youth, have demonstrated special interest in makeup and festive articles. Increasing numbers of young women are wearing lipstick, gold, silver, or pearl necklaces, earrings, charms, rings, and so on. When a young man and woman get engaged, it is quite common for them to buy a 400 or 500 yuan gold ring to commemorate the occasion. According to the survey of 106 of China's cities, total consumption of makeup and gold and silver jewelry underwent 44.4 percent and fivefold increases, respectively, between 1984 and 1985.

12539
CSO: 4006/1000

TRADE DEVELOPMENT BETWEEN USSR, WEST SINCE 1970'S

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 4, 10 Apr 86 pp 79-83

[Article by Su Sijin [5685 0138 6930] of Foreign Trade Department, Xiamen University: "Special Features and Trend of Trade Development Between the Soviet Union and the West Since the 1970's"]

[Text] I. Special Features of Trade Development Between the Soviet Union and the Western Nations Since the 1970's

Since the adoption of the policy of "relaxation" by the Eastern and Western nations in the 1970's, the Soviet Union, with a view to developing its economy, has been actively engaged in promoting its trade relations with the Western nations. With the advent of the 1980's, the emergence of certain new features in the development of trade relations between the Soviet Union and the Western nations has caught the attention of the world.

A. Trade between the Soviet Union and the western nations has been developed at a rapid rate and trade with the West has assumed increasing importance in the Soviet economy. The Soviet Union's foreign trade was developed at a remarkably accelerated pace during the 1970's. Whereas the total amount of its foreign trade came to 19.78 billion rubles in 1969, it rose to 80.3 billion in 1979, showing a threefold increase within a period of 10 years and a 15-percent rate of increase annually. It further increased to 127.5 billion rubles in 1983 and to 139.7 billion in 1984. Between 1969 and 1979, the amount of trade between the Soviet Union and the West increased from 4.33 billion rubles to 25.7 billion, showing an increase of almost 500 percent. During the 1970's, the average rate of increase came to 19.5 percent annually. In 1983, the amount of trade between the Soviet Union and the West jumped to 38.4 billion rubles, showing an increase of 49.4 percent over the figure for 1979. In 1984, it came to 40.9 billion rubles, exceeding the 40 billion mark for the first time and registering an increase of 6.5 percent over the figure for 1983. Between 1981 and 1984, the rate of increase came to 29 percent. Since the 1970's, except for certain isolated years (such as 1980 when there was a slight decline in the rate of trade development between the Soviet Union and the West as a result of the embargo imposed by such Western nations as the United States following the Soviet invasion of Afghanistan), Soviet trade with the West has been developed at a rate higher than that of the development of the entire foreign trade of the Soviet Union and its trade with Council of Mutual Economic Assistance (CEMA) member nations. The major reasons contributing to the rapid development of Soviet trade with the West are as follows:

First, the Soviet Union readjusted its economic and trade policies in time to develop trade relations with the West and to take full advantage of the favorable situation in the international market. Following World War II, the Soviet Union, operating on the theory of the existence of "two parallel international markets" and repudiating the mutual economic dependency between the capitalist and socialist camps, virtually put an end to the import of capital and technologies from the West, much to the detriment of its foreign trade and economic development. Toward the end of the 1960's, and particularly during the middle 1970's and early 1980's, when the Western world was beset at different times by a number of major economic crises, the Soviet Union took advantage of the situation to readjust its economic and trade policies, came to accept the need "to keep pace with the times," developed "the division of labor among nations on a large scale" and began to adopt "economic reforms" to implement its new strategy for economic development. This strategy called for the intensification of production in society, the increase of economic effectiveness, the improvement of the quality of its products and the expansion of trade with the Western nations to import from them technologies, equipment, and capital. In accordance with this strategy, the Soviet Union also made an important change in its theories on foreign trade when it came to recognize the mutual dependency of the socialist and capitalist markets constituting the two parts of the world market as an objective fact. This mutual dependency in trade relations between the Soviet Union and the West is best demonstrated by the need by the Soviet Union to import advanced technologies and equipment from the West to speed up the modernization of its economy and the need by the Western nations for the abundant raw materials, fuels, and the promising market of the Soviet Union to maintain their economic operations. Second, the Soviet Union also made important changes in its foreign policy during the 1970's. To coordinate its overall strategy toward the outside world and especially to attempt to win over Western Europe, the Soviet Union made an active effort to develop its trade with the West in general and with Western Europe in particular. Thus, a strategic basis was laid for the rapid development of trade between the Soviet Union and the West. Third, the abundance of natural resources in general and ecergy resources in particular in the Soviet Union offered a major material basis for the rapid development of trade with the West. Since the 1970's, energy has been a major export of the Soviet Union to the West. It is the export of energy that provides the Soviet Union large amounts of foreign exchange to import technologies and equipment from the West.

With the rapid development of trade between the Soviet Union and the West, the ratio of the amount of trade with the Western nations out of the Soviet Union's total trade has shown a rapid increase. Whereas the Western nations accounted for 19.3 percent of total Soviet foreign trade in 1965, the figure was increased to 21.3 percent in 1970 and 33.6 percent in 1980. Although there has been a slight drop in recent years, the percentage, 30.1 percent in 1983 and 29.2 percent in 1984, still hovers around 30 percent. Meanwhile, the ratio of the total amount of trade between the Soviet Union and the CEMA member nations has shown a notable decline. Whereas the figure came to 58 percent in 1965, it dropped to 55.6 percent in 1970 and 52.1 percent in 1984. The increase in the ratio of trade with the West out of the total bespeaks the increasing importance of the Western nations in the Soviet Union's foreign trade as well as the intensification of mutual dependency between the two sides.

B. Trade relations between the Soviet Union and the Western nations has been developed in neither a stable nor balanced manner. First, from the viewpoint of trade development, the process of bilateral trade development has been extremely unstable. Since the 1970's, trade between the Soviet Union and the Western nations has been developed in fits and starts. In recent years, due to the economic revival of the West and the economic development of the Soviet Union, trade between the two sides has again shown signs of considerable promise. One major reason contributing to this instability may be attributed to a series of political issues besetting the East and the West. The development of trade between the two sides has from the very start been colored by political considerations. That is especially true of the two superpowers, Soviet Union and the United States, both of which have come to regard the development of trade between the East and the West as a component for the contention of world hegemony. That is why the development of trade between the two is to a large extent influenced by the political situation in the East and the West. Second, from the trade balance point of view, the development of trade between the two has been extremely uneven. From 1970 to the first half of 1985, the Soviet Union has, with the exception of certain isolated years, suffered large deficits in its trade with the Western nations. Except for 1974 in the 1970's, when the Soviet Union registered a favorable balance of 116 million rubles, it has suffered deficits totaling 12.87 billion rubles in all the other 9 years. The amount of deficit in the 1970's was 10-fold that of the 1960's. During the 1980's, except for 1983 and 1984, when the Soviet Union registered a slight surplus by reducing its imports from the West and increasing its exports (the surplus for 1984 came to $772 million), deficits were again suffered by the Soviet Union. The deficit for the first half of 1985, for instance, came to $3.07 billion. The major factor contributing to the deficit suffered by the Soviet Union in its trade with the West may be attributed to the fact that since the 1970's, it has increased the amount of technologies, equipment, and grain imported from the West, while the amount of export commodities to the West has remained extremely limited. Furthermore, the reduction in the amount of petroleum and natural gas exports and the weakness of the American dollar have resulted in an excess of imports over exports. In order to reduce the amount of deficit in its trade with the West, the Soviet Union, aside from reducing the import commodities not urgently needed from the West, is seeking to increase its exports to the Western nations. The Soviet Union has also resourted to the selling of large quantities of gold and increasing its income from invisible trade in order to reduce its trade deficit and to ensure its foreign exchange earnings.

C. The Soviet Union is still in an unfavorable situation in its trade with the West insofar as the structure of its import and export commodities is concerned. As regards exports, the structure of the Soviet Union's export commodities is unitary, centering as it does around energy. At present, almost 90 percent of the Soviet commodities exported to the West is made up of four large categories, namely, energy products, other products made from raw materials, intermediate products, and chemical products. Energy products are composed almost entirely of petroleum and natural gas, raw materials are made up chiefly of lumber and cotton, intermediate industrial products consist mainly of cobalt and nonferrous metals; chemical products are mostly in the form of enriched uranium. Since the 1970's, the ratio of petroleum and natural gas among the Soviet Union's exports to the West has shown a sharp increase. Whereas it was 33 percent in 1973, it increased to 80 percent in 1981. Taking 1983 as an example, the percentage of Soviet petroleum and natural gas exports out of the total amount of exports to the various Western nations were 74.6 percent for Austria, 62.1 percent for France, 72 percent for Holland, 81.3 percent for Italy, 70.5 percent for Switzerland. Between 1984 and the first half of 1985, the ratio of petroleum and natural gas exported to the Western nations among the Soviet Union's total exports remained at around 80 percent. Whereas in 1984 the average daily amount of petroleum exported by the Soviet Union to the West came to 1.6 million barrels, it rose to 1.7 million in the second quarter and as much as 1.8 million in the third quarter of 1985. The ratio of natural gas has continued to climb among the Soviet Union's energy exports. Whereas the export of natural gas from the Soviet Union to Western Europe came to only 1 billion cubic meters in 1970, it rose to 24 billion in 1980, 27 billion in 1981 and 40 billion from 1984 to the first half of 1985. Since the 1970's, the increase in the amount of exports from the Soviet Union to the West has been due mainly to the increase in energy exports.

The exports of energy is also the main source of the Soviet Union's foreign exchange income. Since 1980, the export of energy to the West has accounted for around 80 percent of its foreign exchange earnings. In 1984, the foreign exchange earnings of the Soviet Union amounted to $30 billion, of which $25 billion, or 83.3 percent of the total, was derived from the export of petroleum and natural gas. Petroleum alone accounted for some 60 percent of the Soviet Union's foreign exchange earnings. The vast amount of foreign exchange derived from the export of energy by the Soviet Union is a major reason for its increased import of technologies and equipment from the West. From the 1970's to the early 1980's, the sharp increase in the price of oil throughout the world proved to be boon to the Soviet Union. The increased income derived from higher oil prices during the 1970's alone was sufficient to enable the Soviet Union to increase its imports by 350 percent.

Although the structure of Soviet exports to the West based mainly on energy has made it possible for the Soviet Union to import capital, technologies and equipment from the West, the excessive reliance on energy in the structure of its exports has made it susceptible to the effect of fluctuations in the world market. Although the drop in the price of oil in the world market has exerted an adverse effect on Soviet exports in recent years, the Soviet Union has no choice but to export such energy resources as oil at reduced prices in order to earn the foreign exchange it needs to import technologies and equipment from the West. It is this form of trade based on "the exchange of energy for capital, technologies, and equipment" that accounts for the backward state of the Soviet Union in its economic development, especially in the technological area, in comparison with the West.

Technologies, equipment, and grain account for a major part of the imports of the Soviet Union. Commodities currently imported by the Soviet Union from the West consist mostly of four large categories, namely, chemical products, intermediate products, spare parts, and grain which account for 90 percent of the total. Aside from the import of grain, the three categories imported from the West basically in the form of technologies and equipment accounted for 73 percent and 76 percent of its imports in 1979 and 1985, respectively. The technologies and equipment imported by the Soviet Union from the West are characterized by three major features. First, since the 1970's technologies and equipment have been imported from the West at an accelerated pace. Second, technologies and equipment have been imported mainly from member states of the EEC, Finland, and Japan. Third, the technologies and equipment imported are mainly of an industrial nature, the industries are mostly heavy industries and the heavy industries are mainly of the type involving equipment and advanced technologies that have something to do with the war industry. Food imports consist mostly of grain, which ranks only second to technologies and equipment among the Soviet Union's imports from the West. Since the 1970's, due to the poor harvests of grain in the Soviet Union over a period of years and the need to develop the livestock industry, the sharp increase in the import of grain by the Soviet Union has resulted in serious repercussions in the world grain market. The Soviet Union has become the largest grain-importing nation in the world. In 1982 alone, it imported 46 million tons of grain, or roughly half of the amount of various types of grain traded in the world market. In 1984, the amount was increased to 55 million tons. Although a drop is anticipated during 1985 and 1986, it is expected to remain in the 40-million-ton range.

The import of technologies, equipment, and grain from the West is a matter of great economic consequence to the Soviet Union. It has a vital effect on the technical progress of the Soviet Union, the development of its natural resources, the strengthening of its capability to export its industrial products, and the easing of its difficulties occasioned by the backward state of its agricultural production over a long period of time. It should be pointed out that too much emphasis has been placed by the Soviet Union on the import of whole sets of equipment among its technological imports to the neglect of "software" with the result that it is being confronted with difficulties in bridging the technological gap with the West at a more rapid pace. A lesson should be drawn from this.

D. There is a tendency by the Soviet Union to diversify its form of trade and thus to strengthen its productive and technical cooperation with the Western nations. It has diversified its trade with the West by engaging in compensation trade, barter trade, license trade, and the establishment of joint trading companies with emphasis on compensation trade. In recent years, the license trade has been developed at a rapid pace by both the Soviet Union and the West. They have also engaged extensively in two-way monopoly license trade or in the selling of monopoly licensing to third countries. In addition, the Soviet Union has established joint trading companies with certain Western European countries or submitted tenders jointly with those countries for setting up joint companies in third countries. That has become a major avenue for the development of trade between the Soviet Union and the Western European countries on a reciprocal basis. From the end of the 1970's to the end of 1984, Soviet foreign trade organizations have engaged in developing tripartite projects of cooperation with 200 companies in the Western nations in 46 developing countries. The Soviet Union has now established over 120 operations in partnership with the FRG.

A new trend has emerged from the form of trade described above. It marks a departure from the traditional exchange of commodities to cooperation in the area of production and comprehensive economic and technical cooperation on the basis of long-term trade agreements. Certain advantages accrue from this type of cooperation. First, it promoted the development of an economic relationship between circulation and production and technology in a closer and more integrated manner. It also promotes production for foreign trade and technical development while strengthening the relationship of mutual reliance on a mutually beneficial basis. For instance, the compensation trade agreements between the Soviet Union and the Western nations usually call for the fuel and raw materials industries to give thought to the construction of large-scale projects, thus serving to promote cooperation in such areas on the basis of mutual trade and to make it possible for the Soviet Union to obtain capital, technologies, equipment, and operational management experience from the West to promote its economic development. So far as the Western nations are concerned, this new trend enables them to find an outlet for their surplus capital, to obtain large orders for machinery and equipment to enlarge the market for their products, to obtain from the Soviet Union the raw materials and fuels that they need on a long-term and stable basis, and to find a partial solution to the unemployment problem. Second, this type of cooperation serves to strengthen certain areas of trade between the two sides. The Soviet Union has already concluded long-term economic, scientific, and technical cooperation trade agreements with the governments of a number of Western nations, according to which the Western nations are to make production equipment, technical know-how, and loans available to the Soviet Union. With a view to implementing these trade agreements, the Soviet Union has as a rule established joint government commissions with the concerned nations, so that organizations of a more permanent nature may be set up to ensure the development of mutual trade on a long-term and stable basis.

II. Trend of Trade Development Between the Soviet Union and the West

A. Due to certain favorable factors, prospects are good for the development of trade between the Soviet Union and the Western nations, although the existence of certain restrictions is likely to hamper the development of such relations.

The major factor favoring the development of trade between the Soviet Union and the West is that the development of trade between them is of economic benefit to both sides. Since the 1970's, there has been increasing friction in the area of trade among the Western nations. Intermittent frictions in trade involving automobiles, agricultural products, steel, and advanced technologies among the United States, Japan, and Western Europe have intensified in recent years, a factor which has prompted those countries to explore the development of trade with Eastern Europe in general and the Soviet Union in particular. Meanwhile, the increase in trade among the CEMA member nations has shown a continuous downturn in recent years. According to an analysis, the deterioration in trade conditions between the Soviet Union and the Eastern European countries will compel the former to strengthen multilateral trade with the West to import advanced technologies and equipment.

The development of trade between the Soviet Union and the Western nations is also likely to be hampered by such unfavorable factors as political issues involving the East and the West and restrictions put on the transfer of technologies by the West (mainly the United States). Then, too, the Soviet Union is as yet incapable of producing finished products in demand in the Western market, or of increasing to a significant extent the production of such products as petroleum in exchange for hard currency. All these factors serve to put a lid on the scale of trade between the Soviet Union and the West.

B. In its trade with the Western nations, the Soviet Union has put its focus on Western Europe and Japan, while in Western Europe, it has placed its focus on the EEC. The FRG will remain the Soviet Union's major trade partner.

In recent years, trade between the Soviet Union and Western Europe has been increasing at a rapid rate. In 1984, the amount of bilateral trade came to 32,913,000,000 rubles, showing a 4.3-percent increase over 1983. In 1984, Western Europe accounted for 23.6 percent of the foreign trade of the Soviet Union, or 80.5 percent of the total amount of trade between the Soviet Union and the Western nations. The EEC occupies an especially important position in trade between the Soviet Union and the Western nations. In 1984, the FRG, Italy, France, Great Britain, Holland, and Belgium alone accounted for 53.8 percent of the total amount of trade between the Soviet Union and the West. Among the Western nations, the FRG is the biggest trade partner of the Soviet Union. Between 1970 and 1981, the amount of trade between the Soviet Union and the FRG increased 11-fold. Whereas the amount of two-way trade amounted to 7.02 billion rubles in 1983, in 1984 it reached 7.5 billion rubles, showing an increase of 6.8 percent. At present, the amount of trade between the Soviet Union and the FRG comes to roughly 18 percent of that between the Soviet Union and the Western nations.

Due to political factors and the trade embargo imposed by the United States, the amount of trade between the Soviet Union and the United States showed a sharp decline between 1979 and 1983. In 1983, it came to only 1.9 billion rubles. During the last 2 years, however, it has picked up dramatically. In 1984, the amount of bilateral trade rose to 3,113,000,000 rubles. From January to March 1985, it came to 1.08 billion rubles showing an increase of 62.8 percent over the same period in 1984. New progress is being made following the summit meeting between the United States and the Soviet Union. Generally speaking, there is considerable fluctuation in the development of trade between the two nations.

Henceforth, the Soviet Union is expected to develop its trade relations with Europe, mainly member nations of the EEC, to a further extent than that with the United States. The reasons are: 1) Both the Soviet Union, with its abundant natural resources, and Western Europe, with its capital and technology, have what can be used to supplement each other to establish a relationship of mutual reliance; 2) the Soviet Union and Western Europe are geographically close to each other; 3) to protect its own interests, Western Europe, more often than not, refuses to go along with the United States in its embargo against the Soviet Union, but instead seeks to take away business from the

United States. From the Soviet point of view, the shifting of the focus of its trade to Western Europe serves its ultimate purpose of intensifying the split among the NATO members and of nudging Western Europe to break away from the United States. In its trade with the West, the Soviet Union will continue to shift its focus from the United States to Western Europe. That is not to say, however, that trade between the Soviet Union and the United States will not continue to be developed to a certain extent.

Soviet-Japanese trade will become another focal point of the Soviet Union in its trade with the West. First, the development of trade with Japan is an important step by which the Soviets can exert their influence in the Asian region. Second, the Soviet Union regards Japan as an external power capable of helping it to open up the Soviet Far East and Siberia, areas which are extremely rich in natural resources. Concentrated in these regions are 50 percent of the Soviet Union's petroleum, over 60 percent of its natural gas, 90 percent of its coal and over 40 percent of its forestry resources. These assets cannot but prove a powerful incentive for Japan which is short of such resources. Since the Soviet Union does not have the means to open up these regions, especially in terms of capital and technical equipment, it earnestly hopes to engage in projects of cooperation with Japan. In view of the need on both sides and the proximity of the two countries, projects of cooperation for opening up these regions will assume major importance in Soviet-Japanese trade. The trend marking the shifting of the Soviet economic focus to the East reflects to a certain extent the future prospects of Soviet-Japanese trade. Furthermore, the Soviet Union also regards Japan as a major source of advanced technology.

C. Energy will remain the Soviet Union's chief export commodities to the West and of these, natural gas exports will increase. At the same time, imports of technology and equipment from the West will increase.

From hereon, exports of oil and natural gas will constitute the Soviet Union's primary export commodities to the West. At present, the Soviet Union exports some 1.6 million barrels of oil a day to the West. The amount is likely to remain more or less stable or to show a slight decline. In the future, the increase in the export of energy resources will mainly be due to the increase in the export of natural gas. The reasons are: 1) The Soviet Union, which has rich reserves of natural gas, is capable of increasing its production and export amount at a rapid rate. It has already overtaken Holland as the largest exporter of natural gas in the world. 2) The consumption of natural gas in the Western European countries will increase considerably. Since their rate of self-sufficiency is low, they will have to import large quantities from the Soviet Union. According to statistics, the ratio of the import of natural gas to satisfy the needs of the Western European nations will increase from the present 47 percent to 60 percent by the year 2,000. With the completion of the natural gas pipeline from Urengoy in the Soviet Union to Western Europe, the Soviet Union will be supplying 40 billion cubic meters of natural gas a year to the countries in Western Europe for 20 years beginning in 1984. It is estimated that 25 percent of the natural gas consumed by Western Europe in 1986 will be supplied by the Soviet Union (it was only 9 percent in 1981). The proportion of natural gas imported from the Soviet Union by the FRG, Italy, France, and Austria to meet their needs rose from 16, 7, 23, and 55 percent in 1980 to 30, 30, 30, and 70 percent, respectively, in 1986.

As regards the imports of the Soviet Union, there is a tendency for an increase in the import of Western technologies and equipment in general and technologies in particular. This tendency is closely related to the strategy of the Soviet Union to develop its economy. The Soviet Union has already made a start in implementing its 12th 5-Year Plan (1986-1990). Prior to 1990, the Soviet Union will have implemented some 170 large projects for scientific and technical development. By the year 2,000, the basic plan of the Soviet Union to develop its economy will be to continue to speed up the pace of its scientific and technical progress, to raise the level of its advanced technology, to make use of the technical reform of its existing enterprises to speed up its economic growth and to improve the technical standard of its armed forces. Although the Soviet Union has already achieved a leading position in the world in its research into the basic sciences and certain military technical areas, most of its findings have yet to be applied to economic development. It still lags behind such Western nations as the United States in such areas as satellite communication, advanced electronic computers, control systems, new materials, and semiconductors. Thus, the Soviet Union is extremely anxious to obtain technologies and equipment from the West in general and more advanced technologies in particular. Instead of importing whole sets of equipment from the West as it did in the past, the Soviet Union will shift its emphasis to the import of advanced technologies. In the future, Japan and EEC member nations such as the FRG will become major exporters of technologies to the Soviet Union.

Recently, the Soviet Union has engaged in a number of trade talks with Western Europe on the import of technologies. It has also "engaged in an increasing number of trade talks on the most advanced technologies" with Japan involving mostly robots, advanced technologies, electronic computers, semiconductors, new materials, and electronic technologies. The Soviet Union has placed a large number of orders with Great Britain, France, the FRG, and Japan for thousands to tens of thousands of sets of personal computers, indicating the speeding up of the pace by the Soviet Union to import technologies and equipment from the West.

(Editor of article: Pei Fulian [5952 4395 3944])

9621/12851
CSO: 4006/1115

ON THE STRATEGY OF INDUSTRIAL DEVELOPMENT IN HAINAN ISLAND

Guangzhou REDAI DILI [TROPICAL GEOGRAPHY] in Chinese No 1, Mar 86 pp 63-72

[English abstract of article by Yang Ying [2254 5391] and Zhou Jiahui [0719 1367 1979] of the Guangdong National College]

[Text] The focus of the world economy is shifting to ASPA (Asian and Pacific Area) at present. To exploit the resources and develop the economy of Hainan Island in time, especially to set up an industrial system with distinguishing features, we must both consider its internal and external position and draw the lessons of other nations in economic development.

The economic development and the establishment of an industrial direction in an area usually are affected by their natural, social-economic, and technical factors. With the comprehensive survey on Hainan, we suggest that its industry system should be based on the following four departments: the tropical agricultural processing industry, the mining and metallurgical industry and the building material industry, the oil-refining and petrochemical industry, and the electronic industry.

Considering the poor economic basis, the backward industry and the limited fund in Hainan at the moment, it is of course impossible to set up the four industrial departments at the same time if we really want to build a modern industrial system with distinguishing features which fit the conditions in Hainan. Therefore, these departments have to be arranged according to their present basis, the importance and the difficulty of items, the requirement and the possibility at different times.

The industrial distribution in the island can be divided into six parts: Haikou, Yangpu, Basuo, Sanya, Tongza, and Qinglan. Each must arrange its layout of the industrial production according to the conditions in the area and the principles of industrial distribution in order to elaborate its superiority better.

Besides setting up an industrial system with distinguishing features in the island, it is also of importance to deal appropriately with the technological introduction and internal connection, to enforce the construction of transportation and energy, and to encourage diversified economy as well as to pay great attention to intellectual investment.

/6091
CSO: 4011/46

END